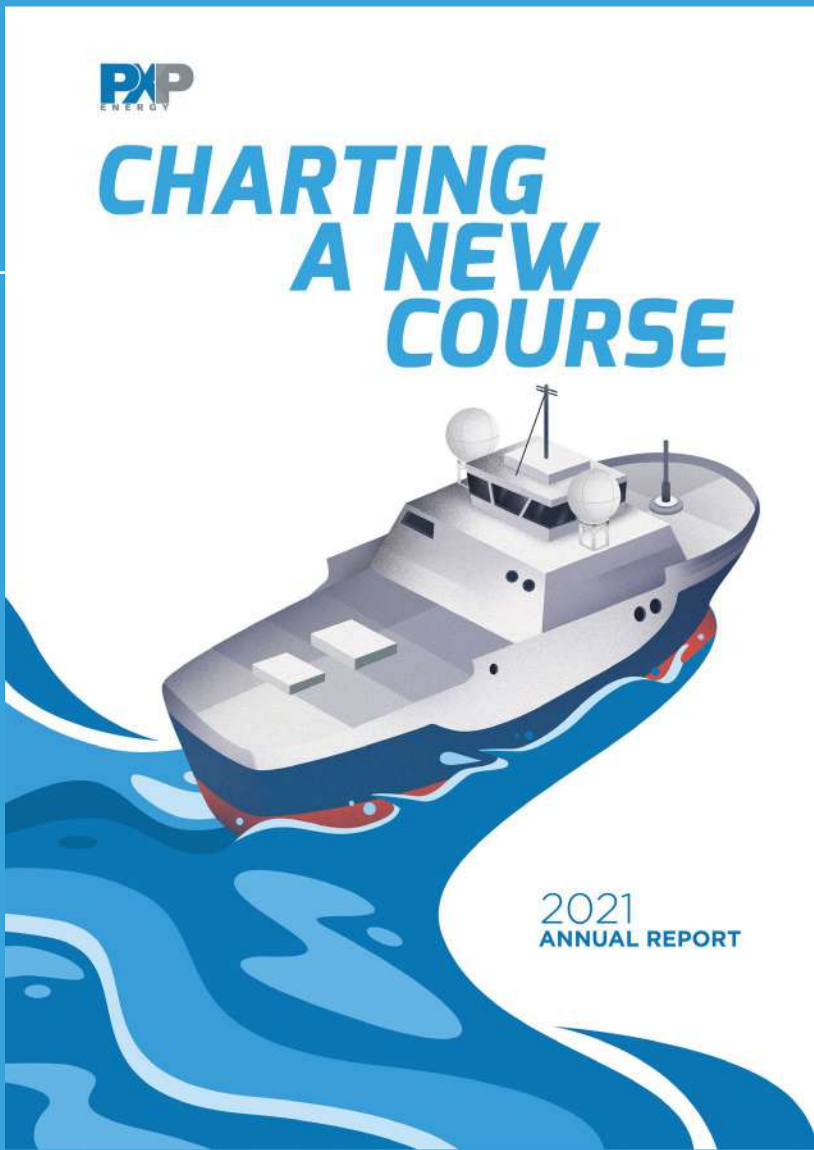
CHARTING A NEW COURSE

2021
ANNUAL REPORT

ABOUT THE COVER



PXP Energy Corporation's sense of adaptability allows it to shift directions no matter the obstacle or delay. It can forge a new path by looking for other projects that will contribute to the country's power supply. It continually strives to integrate sustainability into its business practices and culture to lead the way in its industry. It remains determined to maximize its resources, improve health and safety, and craft more efficient ways of working.

This sense of hope and optimism is represented by a boat sailing onward. The boat's movement shows that it isn't tied down to the challenges it faces, and it can create another plan, a new course.

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CORPORATE PROFILE

PXP Energy Corporation (PXP or the Company), formerly Philex Petroleum Corporation, is a Philippine corporation organized in December 2007. It was listed on the second board of the Philippine Stock Exchange with the stock symbol "PXP" on September 12, 2011.

The Company is mainly involved in the exploration and maturation of local and international hydrocarbon resources. It has interests in various petroleum Service Contracts (SCs) in the Philippines held directly and through its major subsidiary, Forum Energy Limited (FEL), and held an exploration block in offshore Peru through Pitkin Petroleum Limited (Pitkin) until July 2021.

The Company's direct interests in Philippine petroleum SCs include a:

- 50% operating interest in SC 75 (Northwest Palawan);
- 70% operating interest in SC 74 (Linapacan, Northwest Palawan);
- 5.56% interest in SC 6A (Octon, Northwest Palawan);
- 40% non-operating interest in the Department of Energy's (DOE) Philippine Conventional Energy Contracting Program (PCECP) Petroleum Area 7 (Sulu Sea Basin), which is currently under SC application; and
- 100% operating interest in Block A North Recto Bank, Nominated Area No. 6 (offshore West Palawan) under SC nomination.

PXP holds a 79.13% controlling interest in FEL, with 72.33% held directly and 6.80% held indirectly through a 78.39%-owned subsidiary, FEC Resources, Inc. (FEC).

FEC is a Canadian public company quoted in North America and registered with the U.S. Securities and Exchange Commission, the Alberta Securities Commission, and the British Columbia Securities Commission.

FEL is a company incorporated in the United Kingdom with a focus on the Philippines. Its direct interests include the following:

- 70% operating interest in SC 72 (Recto Bank) which covers the Sampaguita natural gas discovery in offshore West Palawan, held through Forum (GSEC 101) Limited (FGL);
- 100% operating interest in SC 40 (North Cebu) held through Forum Exploration, Inc. (FEI), a company that is 66.67% owned by FEL; and
- minority interests in the SC 6 and SC 14 sub-blocks in offshore Northwest Palawan, including a 3.21% interest in the producing Galoc Field, held through Forum Energy Philippines Corporation (FEPC).

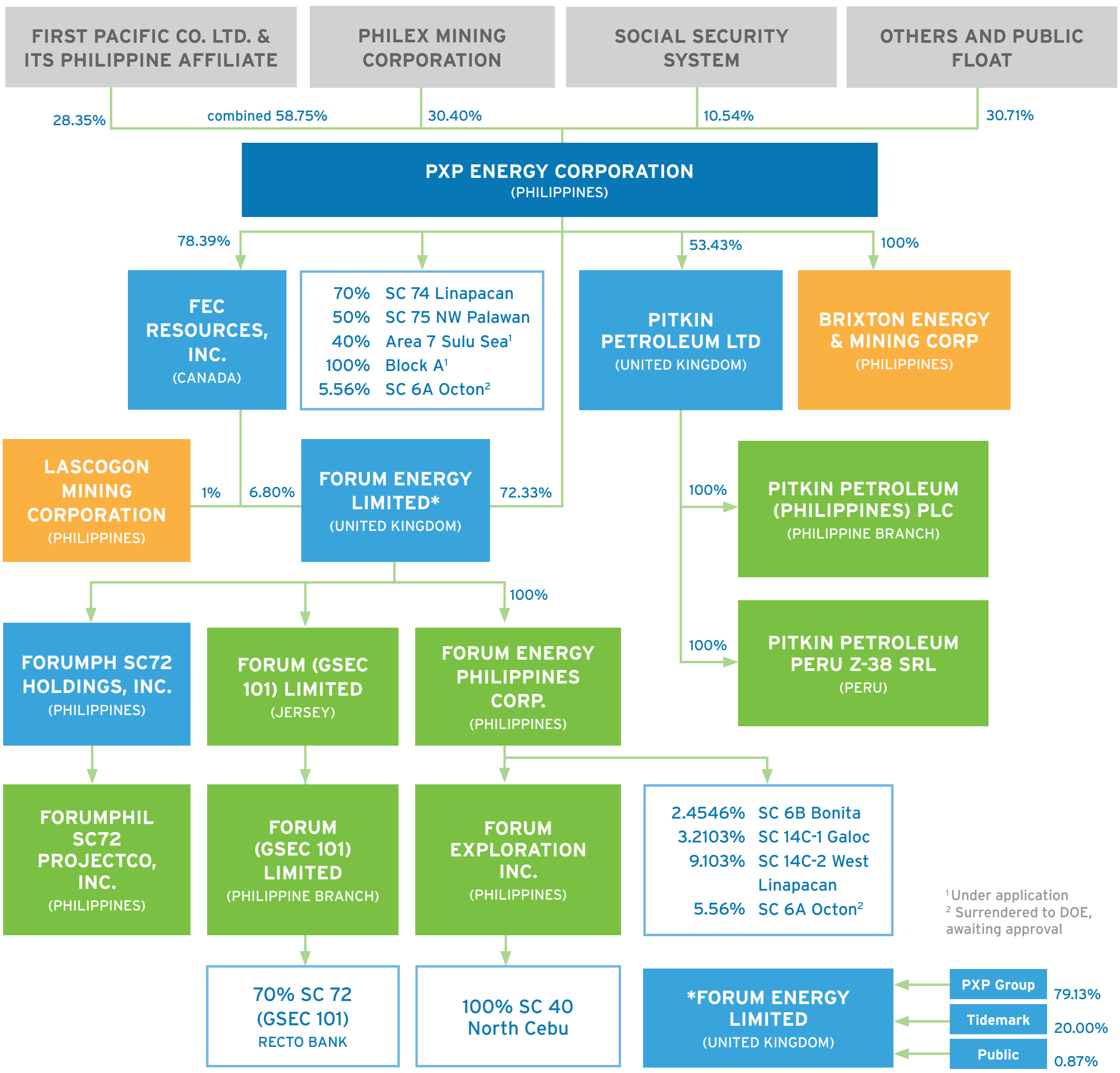
PXP also holds a 53.43% controlling interest in Pitkin, an upstream oil and gas company registered in the United Kingdom.

PXP owns 100% of Brixton Energy & Mining Corporation (BEMC).

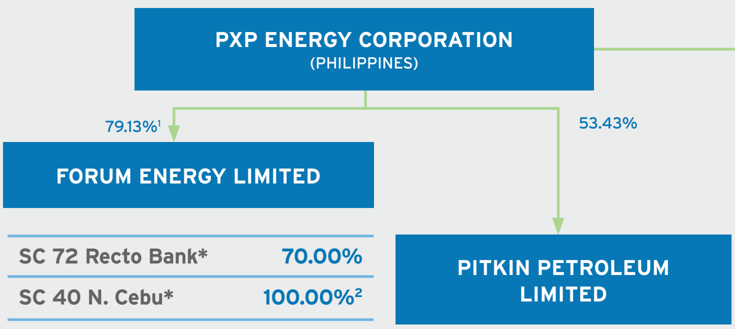
A summary of the Company's principal subsidiaries and their nature of business are as follows:

Subsidiary	Nature of Business
FORUM ENERGY LIMITED	Incorporated on April 1, 2005 in England and Wales, primarily to engage in the business of oil and gas exploration and production, with focus in the Philippines.
FORUM ENERGY PHILIPPINES CORPORATION	FEPC was incorporated in the Philippines on March 27, 1998 and is involved in oil and gas exploration in the Philippines, particularly a 3.21% interest in SC 14C-1 Galoc.
FORUM EXPLORATION, INC.	FEI was incorporated in the Philippines on September 11, 1997 and is involved in oil and gas exploration in the Philippines, particularly in Northern Cebu.
FORUM (GSEC 101) LIMITED	FGL was incorporated in Jersey on March 31, 2005 and is involved in oil and gas exploration in the Philippines, particularly a 70% interest in SC 72 Recto Bank.
FORUM (GSEC 101) LIMITED - PHILIPPINE BRANCH (FGLP)	FGLP was established as a Philippine branch on October 17, 2005 and is involved in oil and gas exploration in the Philippines.
FORUMPH SC72 HOLDINGS, INC. (SC72 HOLDINGS)	SC72 Holdings was incorporated in the Philippines on January 8, 2020 to primarily act as a holding company.
PITKIN PETROLEUM LIMITED	Pitkin was incorporated and registered in the UK of Great Britain and Northern Ireland on April 6, 2005 and is engaged primarily in the acquisition, exploration, and development of oil and gas properties and the production of hydrocarbon products.
PITKIN PETROLEUM (PHILIPPINES) PLC (PPP)	PPP was registered as the Philippine Branch of Pitkin on March 19, 2008.
PITKIN PETROLEUM PERU Z-38 SRL (Z-38)	Z-38 was incorporated on October 5, 2006 and held an exploration block in Peru, specifically, Peru Block Z-38, until July 2021.
FEC RESOURCES, INC.	FEC was incorporated on February 8, 1982 under the laws of Alberta, Canada and primarily acts as an investment holding company.
BRIXTON ENERGY & MINING CORPORATION	BEMC was incorporated in the Philippines on July 19, 2005 to engage in exploration development and utilization of energy-related resources.

CORPORATE ORGANIZATION



PXP Energy Group's Petroleum Blocks



SC 74 Linapacan*	70.00%
SC 75 NW Palawan*	50.00%
Area 7 Sulu Sea[3]	40.00%
Block A N. Recto Bank*[4]	100.00%
SC 6A Octon[5]	5.56%

Forum Energy Limited

SC 72 Recto Bank*	70.00%
SC 40 N. Cebu*	100.00%[2]
SC 6A Octon[5]	5.56%
SC 6B Bonita	2.45%
SC 14C-1 Galoc	3.210%
SC 14C-2 W. Linapacan	9.103%

* Block Operator
1 Economic Interest of 77.66%
2 Economic Interest of 66.67%
3 PCECP Block, under SC Processing
4 Nominated Block, under SC Processing
5 Surrendered on 31 March 2021, pending DOE approval. JV to apply for a new Service Contract under the PCECP Area Nomination Process.

MESSAGE FROM THE CHAIRMAN AND THE PRESIDENT

Manuel V. Pangilinan
CHAIRMAN OF THE BOARD

Daniel Stephen P. Carlos
PRESIDENT

In 2021, prospects began to improve for the oil and gas industry. Despite facing many challenges, PXP used its adaptability to make the most of the available opportunities. It now looks forward to the possibilities it can capitalize on.

During the previous year, pandemic-related mobility restrictions decreased global demand and reduced crude oil prices. In 2021, the future began to look brighter because of the improved economic environment as global demand rose, caused in large part by the availability of effective vaccines against COVID-19.

There was a 6% rebound in global oil demand of 5.4 million barrels of oil per day in 2021. Since most of PXP's assets are still in the exploration stage, the steady rise of oil prices in 2021 foreshadows a better future for the industry and paved the way for more exploration of potentially viable oil reserves.

The global market improvement, which helped double our oil revenues, provides a glimpse of our resilience despite the obstacles we faced in the previous years. Our well-implemented financial management, diversified asset portfolio, experienced and skillful team of professional and business leaders, and supportive partners, all signify a bright future for our company.

RESPONDING WITH AGILITY

Although the global oil and gas industry was not at its peak, prices went up steadily and paved the way for recovery. This coincided with the loosening of restrictions and reduction of COVID-19 cases in the country, which allowed us to ramp up activity.

Through its Joint Venture (JV) in Service Contract (SC) 14C-1 Galoc, PXP capitalized on these developments with more frequent liftings, albeit with lower volumes. The Galoc JV continues to look for ways to extend and increase the production from the field by conducting thorough studies and tests.

OVERCOMING OBSTACLES

2021 did have its own challenges. Due to maritime disputes between the Philippines and China, there were work stoppages for SC 72 Recto Bank in offshore West Palawan and SC 75 in offshore Northwest Palawan. These areas were declared under *force majeure* in 2014 and 2015, respectively. While the *force majeure* for both SCs were lifted in 2020, activities were immediately suspended once again on April 6, 2022, when PXP and Forum Energy received a directive from the Department of Energy (DOE) to halt exploration activities for SC 72 and 75 "until such time that the [Security, Justice, and Peace Coordinating Cluster (SJPCC)] has issued the necessary clearance to proceed."

Before these activities were put on hold, we made significant progress for both SCs. We were on track in undertaking the seismic survey in SC 75, as well as drilling preparation works in SC 72. Such progress proved PXP as a capable service contract operator for both SCs. It showcased how the Company can conduct complex activities while adjusting to evolving situations.

PREPARING AHEAD

The suspension of our SC 72 and SC 75 activities may have been unexpected, but we remain optimistic that we will eventually fulfill our obligations in the areas. We remain prepared to resume our exploration programs once a solid and firm go signal is received from our governing agencies. We will continue to coordinate with the DOE as the Philippines welcomes a new administration. We support the government's efforts to develop indigenous petroleum resources considering the expected decline in Malampaya gas production in the next few years and the current high oil price environment due to various factors like higher oil demand and Russia's war in Ukraine.

Given the pause in activities for SC 72 and SC 75, we look to our work commitments in other SCs. One of our major assets is the SC 40 North Cebu Block, which we believe warrants further exploration work. In the coming year, we will continue to plan for the drilling of 1-2 onshore wells in the said area.

We look forward to the redevelopment of the Cadlao Field in SC 6B, wherein your Company, through Forum, will be carried free in the appraisal and development costs. In the meantime, both PXP and Forum will participate in the application for a new contract in the former SC 6A Octon Block. Part of the application documents to be submitted to the DOE will be a 7-year exploration program that includes the drilling of an exploration/appraisal well at the Malajon area.

The Company likewise anticipates being awarded a new service contract in the Sulu Sea, which will help diversify our asset portfolio.

MOVING FORWARD

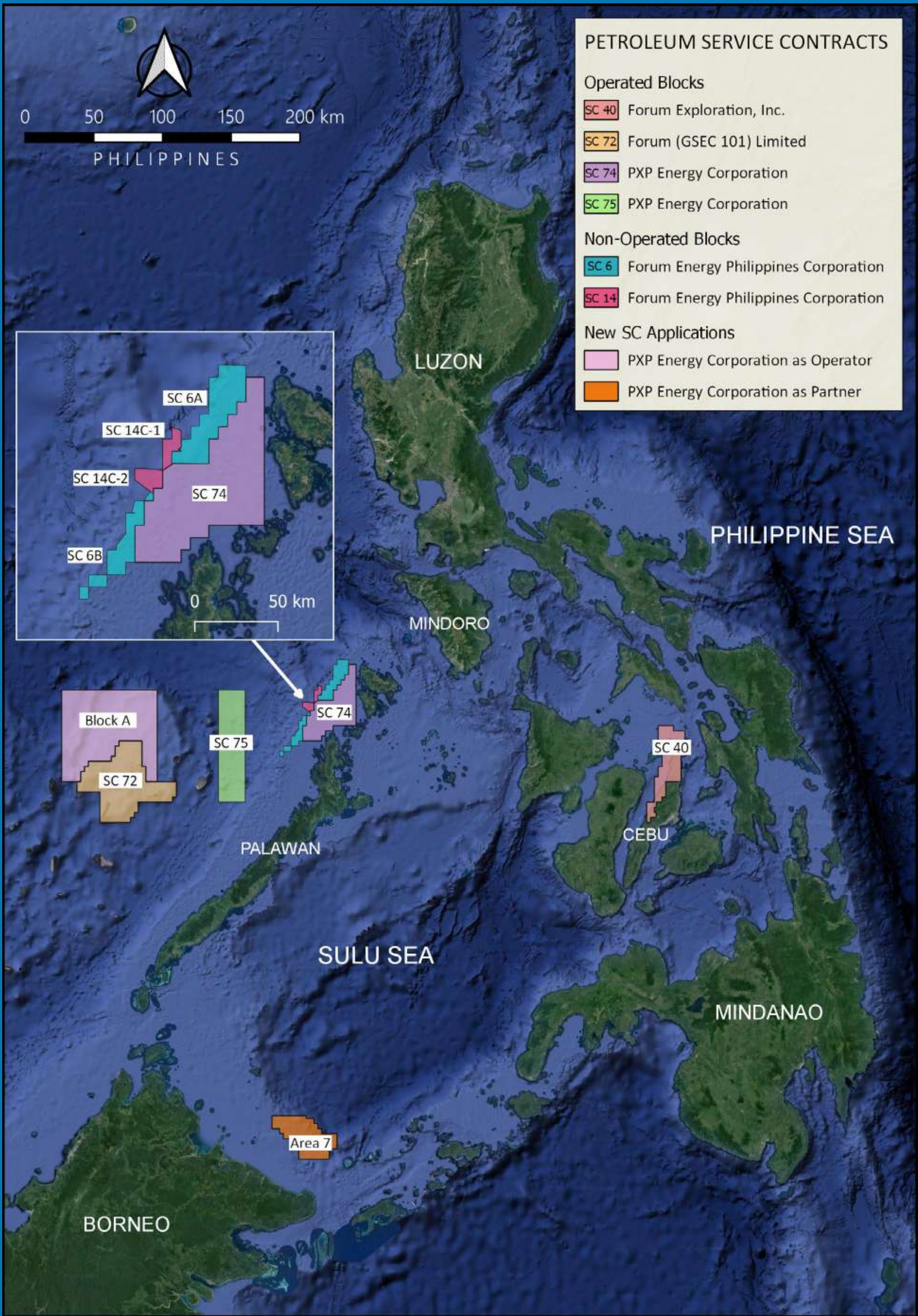
We at PXP will continue to explore new opportunities to deliver on our commitment to our stakeholders as one of the gas and oil industry leaders. We will also strive to become a more sustainable company and constantly evaluate our progress and practices.

Though we still foresee challenges in 2022, we face it equipped with the lessons of the last two years. PXP shall continue to be agile, stern, and responsive as we chart a new course filled with opportunities for growth, and steer ourselves towards the best possible path as we explore and discover a better tomorrow together.

Manuel V. Pangilinan
CHAIRMAN OF THE BOARD

Daniel Stephen P. Carlos
PRESIDENT

ASSET LOCATION MAP



OPERATIONAL HIGHLIGHTS

PXP Energy Corporation

SERVICE CONTRACT 74 (LINAPACAN)

The SC 74 Block is located in the shallow waters of the Northwest Palawan region with an area of 4,240 square kilometers (sq. km). It was awarded in September 2013 to Pitkin and its consortium partner, The Philodrill Corporation (Philodrill), through the Philippine Energy Contracting Round 4, with operating interest of 70% and participating interest of 30%, respectively. In June 2015, Philodrill and the PNOC Exploration Corporation (PNOC EC) entered into a Deed of Assignment (DOA) whereby Philodrill transferred its 5% participating interest to PNOC EC.

On April 25, 2016, the Department of Energy (DOE) approved the DOA dated February 24, 2016, transferring the 70% interest and operatorship of Pitkin to PXP.

During the second quarter of 2016, CGG, under an agreement with the DOE, conducted a multi-client broadband 2D seismic survey over a large portion of SC 74. The SC 74 Consortium obtained a group license with CGG and was provided with a copy of the seismic data upon completion of seismic processing in December 2016. A total of 1,614.30 line-km of 2D seismic data was acquired in the survey. The results also yielded 1,718 km of marine gravity data and 1,623 km of marine magnetic data.

On March 27, 2018, the DOE approved the Joint Venture's (JV's) entry to Sub-Phase (SP) 3 with modified work commitments beginning December 13, 2017. The Consortium has fulfilled most of the remaining SP 3 exploration work.

The Phase 1 well feasibility and rock physics analysis and Phase 1A test inversion under the joint Quantitative Interpretation (QI) study of SC 74 and SC 14C-2 by Ikon Science (Ikon) were completed in October 2019. This pilot study was conducted over a 30 sq. km 3D area that included six wells in the Linapacan and West Linapacan areas. Based on the test, it was concluded that fluid type is more difficult to identify on seismic than rock lithology due to the limestone reservoir's overlapping elastic properties.

In December 2019, the SC 74 consortium decided to proceed to Phase 2 of the project which was an inversion study over a wider 400 sq. km 3D area. Phase 2 commenced in February 2020 and was completed in June 2020. The QI study was able to predict the different lithological facies at the well. However, the study failed to differentiate the type and distribution of fluids in the limestone reservoirs due to the nature of the rock properties and poor to fair seismic data quality. Further seismic reprocessing has been recommended to preserve the true amplitudes for Amplitude Versus Offset (AVO) inversion and to improve seismic imaging, especially in dipping structures. It was also suggested that shear sonic data be acquired in future wells for better correlation of well and seismic data. All project deliverables received from Ikon were loaded to the PXP workstation and were utilized as guides during the 3D seismic interpretation.

In March 2020, the DOE approved PXP's request for a one-year extension of SP 3 from December 13, 2019 to December 13, 2020 to allow the completion of Geological and Geophysical (G&G) studies prior to entering the next SP.

On July 14, 2020, the DOE approved PXP's application for a *force majeure* over SC 74 for nine months. It ran from March 13, 2020 to December 13, 2020. This was due to delays in the implementation of some G&G activities following the imposition of business, health, and travel restrictions in the country due to the COVID-19 pandemic. In view of the moratorium, the end of SP 3 was adjusted to September 13, 2021.

As part of the SC 74 work commitment under SP 3, an in-house seismic interpretation of the 3D data incorporating the results of Ikon's QI study was conducted starting July 2020. The technical evaluation was done in two parts. The first part involved mapping time structural horizons, mapping porous zones, and time to depth conversion while the second centered on resource calculation. The interpretation work was completed in April 2021, while the resource calculation was finalized in August 2021. PXP's study indicates that the Linapacan "A" and "B" Fields contain 43.16 and 27.43 million barrels of contingent oil resources (P50), respectively. Additionally, PXP was able to identify two leads, namely South Linapacan and Edapacan, located on the Southwest and Northeast part of the Linapacan Field, respectively.

On May 4, 2021, PXP requested a 12-month *force majeure* starting from April 2021 due to delays in the implementation of certain G&G activities following continuing COVID-19 restrictions. This was approved by the DOE on October 29, 2021. SP 3 will now expire on September 13, 2022.

The Work Program and Budget (WP&B) for Calendar Year (CY) 2022 submitted to the DOE includes the conduct of an independent technical evaluation and resource assessment of the Linapacan "A" and "B" Fields using ERC Equipoise Limited (ERCE), a UK-based company also doing an evaluation study in the SC 14C-2 West Linapacan Block. The said study started in February 2022 and will be completed in May 2022.

SC 75 (NORTHWEST PALAWAN)

On January 3, 2014, the duly executed copy of SC No. 75 was granted to the bid group comprising PXP, PNOC EC, and PetroEnergy Resources Corporation (PERC) with operating interest of 50%, and participating interests of 35% and 15%, respectively. SC 75 covers an area of 6,160 sq. km in the Northwest Palawan Basin.

The work commitment for SP 1 was completed in 2015 after the acquisition of 2,235 line-kilometers of 2D seismic data over SC 75 and simultaneous acquisition of marine magnetic and gravity data.

In September 2015, the DOE advised the SC 75 Consortium of its decision to place the block under *force majeure* effective December 27, 2015, the end of SP 1. In view of this, all exploration activities in the block were suspended until such time that the DOE informed the consortium of the lifting of the moratorium.

A letter from the DOE dated October 14, 2020 stated that the *force majeure* over SC 75 was lifted effective immediately and that exploration activities could resume over the block.

In December 2020, the WP&B for 2021 was submitted to the DOE with the acquisition, processing and interpretation of a minimum of 1,000 sq. km of 3D seismic data as a firm commitment.

In July 2021, PXP sent out invitations to seismic acquisition companies to submit proposals for a 1,100 sq. km 3D survey that would be conducted in late March to early April 2022. The seismic survey will take about 30 days to complete, including vessel mobilization and demobilization periods.

In September 2021, a letter of award was issued to Shearwater GeoServices Limited (Shearwater) for the M/V Duchess vessel or its equivalent. Thereafter, Shearwater conducted a Survey Evaluation and Design (SED) Study which aimed at finalizing the acquisition parameters to be used in the survey. The SED was completed in November 2021 and the

PHOTO COURTESY OF **SHEARWATER GEOSERVICES LIMITED**

results were incorporated in the seismic data acquisition contract. Finalization of the contract continued until the end of December 2021 and the acquisition contract was signed in early January 2022.

On February 1, 2022, Shearwater informed PXP of their plan to mobilize the M/V Geo Coral instead of the Duchess for the SC 75 campaign. The vessel left Darwin, Australia on March 31, 2022, and arrived at the SC 75 project site on April 5, 2022.

On April 6, 2022, PXP received a directive from the DOE to "put on hold any exploration activities for Service Contract Nos. 72 and 75 until such time that the [Security, Justice and Peace Coordinating Cluster (SJPCC)] has issued the necessary clearance to proceed." PXP immediately complied with the directive by notifying its contractors on the suspension of activities.

Through a letter sent to the DOE on April 8, 2022, PXP expressed willingness to resume activities provided that a written confirmation from the DOE is received by April 10, 2022 that PXP can resume its activities on April 11, 2022 at the latest. Otherwise, PXP will consider the suspension of work issued by the DOE to be indefinite and a *force majeure* event that will entitle PXP to be excused from the performance of its respective obligations and to the extension of the exploration period under SC 75.

In the absence of any letter from the DOE informing PXP to resume operations, PXP submitted a letter to the DOE on April 11, 2022 affirming a declaration of *force majeure* under SC 75 beginning April 6, 2022. In the same letter, PXP stated that it is entitled to an extension of the period for exploration under SC 75 due to the recent declaration of *force majeure*. PXP then undertook the termination of its service and supply agreements with several contractors, including that with Shearwater.

SC 6A (OCTON BLOCK)

SC 6A Octon covers an area of 1,080 sq. km and contains the Octon Field.

In 2018, Philodrill completed a 3D seismic interpretation on the northern sector of the block that focused on the Malajon, Salvacion, and Saddle Rock prospects. This was followed by a seismic attribute analysis of the Galoc Clastic Unit (GCU) interval which was undertaken in 2019. The Malajon and Saddle Rock closures were previously tested by wells that encountered good oil shows in the GCU. However, no drill stem tests were conducted in this interval due to operational constraints.

The DOE approved a work program for 2020 that consists of: (1) G&G studies in support of establishing a final well location and well design to test the hydrocarbon potential of the Malajon-Salvacion-Saddle Rock anticlinorium; and (2) the continuation of G&G work to identify additional resources at the Octon South structure and other opportunities immediately around the Octon Field that could support the latter's development.

In June 2020, LMKR, a private petroleum technology company based in Dubai, completed a pilot study on the Malajon area using 3D seismic and well data. The study shows that the Malajon structure has good hydrocarbon potential and thus requires further detailed analysis. LMKR was also able to identify four sand packages within the GCU after generating several elastic properties such as P-impedance and Vp/Vs, among others.

The JV approved a detailed QI study aimed at generating pay probability maps and identifying prospective zones that could be targets for future wells. The study also includes detailed attribute analysis since several channelized sands within the GCU have been identified during the pilot study. An amended WP&B for 2020 that covered this additional study was approved by the DOE in July 2020. The LMKR report was submitted to the DOE in July 2021.

The current term of SC 6A is set to expire on February 28, 2024, which gives the JV limited time to drill an exploratory well and to develop a field in case of a discovery. In view of this, the Consortium decided to surrender the contract effective March 31, 2021 so that it could enter the Philippine Conventional Energy Contracting Program (PCECP) of nominating and applying for a new SC over the area. The surrender of SC 6A is still awaiting DOE's final approval.

The JV is now preparing the documents for the application for a new SC wherein PXP and Forum will each have 6.722% interest, up from 5.56% each under SC 6A, after accepting their respective pro rata share of the interests of two companies that decided not to participate in the new SC.

PCECP AREA 7 SULU SEA

Area 7 is located in the Sandakan Basin, a Tertiary age sedimentary basin with water depths ranging from 200 meters to as low as 2,000 meters. With an area of 3,580 sq. km, it was one of the 14 predetermined areas (PDAs) offered by the DOE in 2018 under the PCECP. The area is covered by both 2D and 3D seismic data, and a total of six exploratory wells have been drilled by previous contractors from 1989 to 2008. It was previously covered by SC 41 and held by a group of Filipino and Australia-based companies that voluntarily surrendered the area in August 2010 after their 10-year exploration permit ended. On the north of the block is SC 56 where ExxonMobil previously drilled four wells, three of which were declared discovery wells.

On August 19, 2019, the DOE conducted the preliminary review of submitted bids for PDAs and accepted the sole bid on Area 7 of Philodrill and PXP with 60% and 40% participating interests, respectively. To date, the DOE's final decision on the acceptance of the JV's bid is being held in abeyance due to its ongoing discussions with the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM). The Consortium's immediate plan once a SC is granted is to conduct a QI study and reprocess some 1,600 sq. km of 3D data using broadband pre-stack depth migration (PSDM).

PHOTO COURTESY OF **EASTERN NAVIGATION PTE LTD**

BLOCK A NORTH RECTO BANK (DOE'S NOMINATED AREA NO. 6)

Block A is located north of and contiguous with SC 72 in offshore West Palawan, which is about 180 to 375 km away from the nearest Palawan island. It covers all of Nares Bank and parts of the greater Recto Bank, and it has an area of 14,300 sq. km. The water depth across the Block broadly ranges from 20 to 2,500 meters. There is no recent subsurface data in Block A apart from a few academic studies using mostly potential fields geophysical data and the legacy Joint Marine Seismic Undertaking (JMSU) 2D dataset which is not available to PXP. The closest relevant subsurface information in Block A comes from SC 72 with Reed Bank A-1 and B-1 wells located in the northern part of SC 72.

On September 14, 2020, the DOE opened the bid submitted by PXP in March 2020 and found the application documents complete and qualified to undergo further legal, technical, and financial evaluation. The bid documents remain under review by the DOE.

The proposed work program for the first SP is the acquisition of at least 2,200 line-km of 2D seismic data as well as marine gravity and magnetic data.

Forum (GSEC 101) Limited

SC 72 (RECTO BANK)

FGL has a 70% operating interest in SC 72 (previously known as Geophysical Survey and Exploration Contract No. 101 or GSEC 101), a petroleum license located in the Recto Bank, offshore west of Palawan island. The remaining 30% of SC 72 is held by Monte Oro Resources & Energy Inc., a company incorporated in the Philippines. SC 72 covers 8,800 sq. km, which is 85% of the area covered by GSEC 101.

Exploration in the area began in 1970. In 1976, gas was discovered in the Sampaguita Field following the drilling of a well. To date, three wells have been drilled at the southwest end of the structure. Two of these wells tested gas at rates warranting further exploration.

In early 2011, FGL acquired 2,202 line-km of 2D seismic, gravity, and magnetic data over SC 72 to further define previously mapped leads. In addition, 565 sq. km of 3D seismic data was acquired over the Sampaguita Field. These fulfilled the Consortium's minimum work obligation under SP 1.

Based on a technical evaluation conducted by Weatherford Petroleum Consultants in 2012, the Sampaguita Field is estimated to contain 2.6 trillion cubic feet (TCF) of in-place contingent gas resources and 5.4 TCF of prospective gas resources.

The 2D seismic data was reprocessed in 2013 and subsequently interpreted; This was done with the help of gravity-magnetics data that were interpreted by Fugro Gravity & Magnetic Services and Cosine Ltd. in 2012 and 2015, respectively. In 2015, Arex Energy produced a report on the North Bank area, which is located northwest of the Sampaguita Field, and estimated the prospective resources to be significant enough to continue with exploration of the concession.

In October 2018, FGL started the Broadband PSDM reprocessing of the Sampaguita 3D with DownUnder GeoSolutions (DUG), a company based in Perth, Australia, as a contractor. The reprocessing work was completed in June 2019.

In October 2019, the Philippine Department of Foreign Affairs (DFA) announced that the Philippines and China had officially convened an Intergovernmental Steering Committee that will supervise projects under the two countries' joint oil and gas exploration in the West Philippine Sea (WPS). The DFA further announced that the Steering Committee held its first meeting in Beijing on October 28, 2019. Under the memorandum of understanding (MOU) signed in October 2018, the Steering Committee will create one or more inter-entrepreneurial working groups that will agree on entrepreneurial, technical, and commercial aspects of cooperation on certain areas in the WPS. China has appointed China National Offshore Oil Corporation (CNOOC) as its representative to the working groups. FGL will be the representative to the working group that will be created for SC 72. To date, there has been no announcement of any agreement between FGL and CNOOC in relation to SC 72.

On October 16, 2020, FGL received notice from the DOE that the *force majeure* imposed on SC 72 on December 15, 2014 was lifted effective immediately and that FGL was to resume exploration activities on SC 72. FGL has 20 months from the date of the lifting of the suspension to drill two commitment wells.

Since then, the 2021 and 2022 Work Program and Budget for SC 72 was approved by the DOE. Preparations for drilling activities, including the purchase of long lead items, requisitions for other materials, and signing up of technical services, have been undertaken. These preparations will aid in the conduct of geophysical and geotechnical surveys and the drilling of wells Sampaguita 4 and Sampaguita 5 in the second quarter of 2022.

On April 6, 2022, FGL received a directive from the DOE to "put on hold any exploration activities for Service Contract Nos. 72 and 75 until such time that the SJPCC has issued the necessary clearance to proceed." FGL immediately complied with the directive by suspending its activities.

In its letter of reply to the DOE dated April 8, 2022, FGL expressed willingness to resume activities immediately. However, FGL also provided an April 10, 2022 deadline for a written confirmation from the DOE that FGL can resume its activities on April 11, 2022. They stated that if FGL does not receive this written confirmation, it will consider the suspension of work issued by the DOE to be indefinite and a *force majeure* event that will entitle FGL to be excused from the performance of its respective obligations and to the extension of the exploration period under SC 72.

In the absence of any letter from the DOE informing FGL to resume operations, FGL submitted a letter to the DOE on April 11, 2022 affirming a declaration of *force majeure* under SC 72 beginning April 6, 2022. FGL then undertook the termination of its service and supply agreements with several contractors. In the same letter, FGL stated that it is entitled to an extension of the period for exploration under SC 72 due to the recent declaration of *force majeure*.

Forum Energy Philippines Corporation

SC 14C-1 (GALOC)

Block C-1 Galoc has an area of 164 sq. km and contains the Galoc Oil Field. The field has already produced about 23.6 million barrels of oil (MMBO) since production started in October 2008. Gross production for 2021 averaged 1,727 barrels of oil per day (BOPD) from 1,900 BOPD in 2020. FEPC has a 3.2103% participating interest in the block.

In July 2018, Tamarind Galoc Pte Ltd., a subsidiary of Singapore-based Tamarind Resources Pte Ltd. (Tamarind), acquired Nido Petroleum's subsidiaries Galoc Production Company WLL (GPC) and Nido Production (Galoc) Pte Ltd. This gives Tamarind a 55.88% equity and operatorship of the Galoc Field.

On May 7, 2020, GPC informed the DOE of the cessation of operation for Galoc Field starting September 24, 2020. This comes after GPC's receipt of a Notice of Termination from Rubicon Offshore International (ROI), the owner of the floating production storage and offloading (FPSO) vessel, Rubicon Intrepid. GPC has also requested approval of the initial drawdown from the fund setup under the DOE-approved Galoc Decommissioning Plan and Budget for the implementation of the field suspension plan. However, in September 2020, the Galoc JV was able to negotiate with ROI for the sale of the Rubicon Intrepid that will allow Galoc Field to continue to be in production beyond the original cessation schedule of September 24, 2020. Tamarind, which owns GPC, formed a new subsidiary, Philippines Upstream Infrastructure (PUI), to acquire the FPSO from ROI. GPC and ROI then entered into a Transition Operations and Maintenance (O&M) contract to allow the current ROI crew to continue managing FPSO operations during a transition period that will last for about six months. Finally, GPC signed a 24-month O&M contract with Three60 Energy, an energy services provider, that will take over FPSO operations after the transition period.

On September 14, 2020, Galoc Production Company 2 (GPC2) issued a notice of withdrawal from SC 14C-1 and the Joint Operating Agreement (JOA), which became effective on December 16, 2020. GPC2's interest was shared by a majority of the remaining members. The participating interest of FEPC increased from 2.27575% to 3.2103% as a result.

On December 23, 2020, GPC resigned as the SC 14C-1 operator effective immediately. On the same day, the JV elected NPG Pty Limited, GPC's affiliate, to become the replacement operator.

On February 1, 2021, Three60 Energy formally assumed operational control of the FPSO, now called Intrepid Balanghai, following a transition period with Rubicon Offshore that lasted for 4-1/2 months from September 2020 to January 2021.

Upon the DOE's request, NPG prepared a new decommissioning plan (DP) that will be implemented once Galoc Field reaches its end of life. The June 2021 DP updated the 2016 Abandonment Plan as well as the 2020 Suspension & Abandonment Plan, both of which had already received DOE approval. The DP was submitted to the DOE on July 30, 2021. It documents the scope and associated cost of final field decommissioning, including the plans for the FPSO, subsea equipment, and production wells. The decommissioning activity will cost around US$ 24 million, with US$ 9.5 million allocated for FPSO disconnection and subsea equipment abandonment, and US$ 14.5 million for permanent plug and abandonment (P&A) of the production wells. The Galoc Field will remain viable to operate even beyond the expiry date of SC 14C-1 in December 2025.

SC 14C-2 (WEST LINAPACAN)

Block C-2 has an area of 176.5 sq. km and contains the West Linapacan "A" and "B" structures. The Consortium headed by Philodrill continues with its evaluation of the viability of redeveloping the West Linapacan "A" Field, which was discovered in 1990 and produced over 8 MMBO from 1992 before being shut-in during 1996.

In 2018, the JV completed mapping and interpretation work on the 3D seismic data that was reprocessed in 2014. The study focused on the West Linapacan "B" structure, which was drilled in 1991. The JV is studying options to develop the field.

In 2019, Desert Rose Petroleum Limited (DRPL) expressed interest to re-develop the West Linapacan "A" Field through a farm-in process and through the purchase of participating interests from companies that are willing to divest. For the farming-out companies, DRPL will shoulder the cost of redevelopment of West Linapacan "A" Field up to first oil. In return, the companies will further assign 75% of their remaining interest to the farminee, leaving them with a combined interest of 5%.

By the end of March 2021, the relevant closing conditions, which include regulatory approval in the sale and purchase agreement (SPA) and the farm-out agreement (FOA) were not yet completed. The process of finalizing the documents, including the DOA arising out of the SPA and FOA, was severely delayed by the COVID-19 situation. DRPL was previously given until March 31, 2021 to finalize the agreements but it has requested an extension until June 30, 2021. DRPL eventually decided not to pursue its farm-in plans for the block. As a result of DRPL's exit, Philodrill re-assumed the block's operatorship and FEPC's participating interest in the block returned to its pre farm-in interest of 9.103%.

In 2019, the SC 14C-2 and SC 74 Consortia conducted joint Rock Physics and QI studies over the West Linapacan and Linapacan areas using existing 3D seismic and well data. The initial phase of the study was carried out and completed by Ikon in October 2019. However, only the SC 74 JV decided to proceed with the second phase of the QI Study.

In September 2021, the Consortium commenced a technical study on the West Linapacan "B" Field using ERCE that focuses on a review of available geologic and well data, digitization of well logs, reservoir modeling, and fracture analysis, to be followed by resource estimation. Phase 1 of the study was completed in November 2021, and preliminary results indicated that a stand-alone development for the West Linapacan "B" Field would not be economically viable. ERCE continued with the Phase 2 of the study, which comprises the formulation of an appraisal and conceptual development and scoping economics involving the West Linapacan "A" and "B" Fields. The results indicate a joint development of the fields is feasible provided certain conditions related to recoverable reserves, development costs, production rates, and oil price are met.

SC 6B (BONITA)

SC 6B Bonita covers an area of 567 sq. km and contains the Bonita discovery.

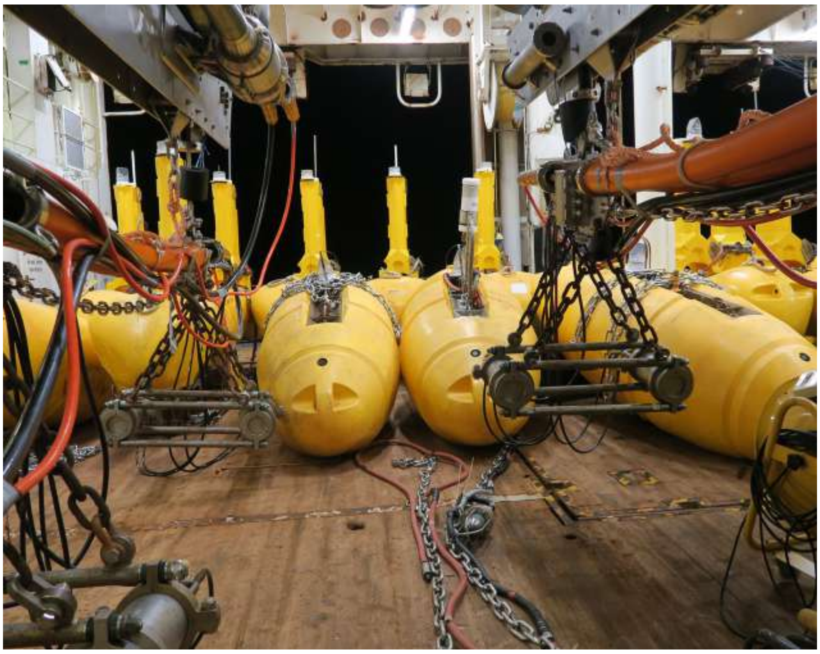
An in-house evaluation completed by Operator Philodrill in early 2016 has shown that the East Cadlao Prospect has marginal resources which cannot be developed on a stand-alone basis. However, it remains a prospect as it is near the Cadlao Field, which lies in an adjacent contract area. In view of this, the JV requested for the reconfiguration of SC 6B to append the Cadlao Field for possible joint development in the future. On March 14, 2018, the DOE approved the annexation of Cadlao Block to SC 6B.

The Cadlao Field was discovered in 1977 and produced about 11 MMBO from two subsea production wells from 1981 to 1991. It has estimated recoverable reserves of 3.7 MMBO (1P) and 5.7 MMBO (2P) based on Gaffney, Cline & Associates' (GCA) 2012 report. The East Cadlao has estimated recoverable resources of 1.48 MMBO (P10) and 1.17 MMBO (P50) based on Philodrill (2016).

On October 17, 2019, the farm-in agreement (FIA), DOA, and transfer of operatorship from Philodrill to Manta Oil Company Ltd. (Manta) were approved conditionally by the DOE, requiring Manta to submit additional financial documents. Under the FIA, Manta will carry the JV up to first oil to earn 70% interest. FEPC's interest will be reduced to 2.4546% from 8.182% upon completion of the farm-in.

On December 6, 2021, Manta withdrew as operator and contractor in SC 6B as it was unable to fulfill its farm-in commitment to submit a plan of development (POD) for Cadlao Field before the end of 2021. Following Manta's withdrawal, its 70% interest was reassigned to the JV partners and the operatorship reverted to Philodrill. The SC 6B JV later agreed to appoint Nido Petroleum Philippines Pty Ltd ("Nido") as the technical operator to carry out the technical work, which includes the redevelopment of the Cadlao Field.

Nido subsequently submitted a farm-in proposal to the JV to increase its participating interest from 9.09% to 72.727% and take over the operatorship of SC 6B. Under the farm-in, Nido will fund 100% of the drilling, extended well test, and subsequent development of the Cadlao Field in return for the additional 63.637% participating interest. A farm-in agreement was later executed on February 11, 2022 with FEPC's interest being reduced to 2.4546% from 8.182% in exchange for the said carry in Cadlao's development costs.



SC 14A, B & B-1 NIDO, MATINLOC & NORTH MATINLOC FIELDS

Production from the Nido and Matinloc Fields was terminated permanently on March 13, 2019, after producing 22,173 bbls of oil from January to March 2019. The Nido Field accounted for 93.06% of the total while Matinloc Field contributed the remaining 6.94%. Shell Philippines was the sole buyer for the crude during the period.

Nido started oil production in 1979 while Matinloc was put in place in 1982. The final inception-to-date production figures for the two fields are: 18,917,434 bbls for Nido and 12,582,585 bbls for Matinloc. The North Matinloc Field, which was in production from 1988 to 2017, produced a total of 649,765 bbls of oil. The total production for all three fields is 32,149,784 bbls.

Three out of five production wells in Nido, three in Matinloc, and one in North Matinloc — totalling seven production wells — were successfully plugged and abandoned from April to May 2019. The two remaining Nido wells, A1 and A2, were only partially abandoned due to difficulties encountered during operations.

Following the suspension of field operations and the P&A of most of the wells in May 2019, Philodrill conducted the stripping and disposal of equipment and materials aboard the production platforms from June to October 2019. In December 2019, all production platforms were turned over to the DOE which, in turn, handed them over to the Armed Forces of the Philippines (AFP) for defense use. On June 26, 2020, the DOE signed a deed of donation and acceptance with the Department of National Defense to formalize the transfer of ownership of the Nido and Matinloc platforms to the AFP.

The P&A of the A-1 and A-2 production wells in Nido was completed on October 5, 2020. This was originally scheduled in April 2020 but had to be deferred due to COVID-19-related health and travel restrictions.

With the completion of P&A of all production wells, a notice to surrender the SC 14A, 14B, 14B-1, Tara, and SC 14D blocks was sent to the DOE on February 16, 2021. In September 2021, checks were issued to the DOE for the full settlement of JV's financial obligations in SC 14, including the unutilized training fund.

The surrender of the blocks was approved by the DOE on May 18, 2022.

Forum Exploration, Inc.

SC 40 (NORTH CEBU)

A 100% operating interest in SC 40 is held by FEPC's 66.67% owned subsidiary FEI.

SC 40 is located in the Visayan Basin, located in the central part of the Philippine archipelago, and covers an area of 3,400 sq. km in the northern part of Cebu Island and adjacent offshore areas. It contains the Libertad Gas Field and several other prospects.

SC 40 was originally awarded in February 1994 as a GSEC (No. 69) to a consortium including one of FEI's predecessor companies. Since 2001, 100% of the title to SC 40 rests with FEI because the other co-venturers in the original consortium relinquished their interests.

During the initial exploration period of the contract, which lasted for seven years plus extensions, FEI drilled several onshore wells within the block, one of which, L95-1, was declared a gas discovery.

In 2004, Forum conducted a feasibility and engineering study to determine the most commercially beneficial option for the development of the Libertad Field, where the L95-1 well was drilled. The scope of the feasibility study included an assessment of the gas reserves and its deliverability, financial analysis of the project, market assessment, and determination of the most appropriate production equipment to be installed. The feasibility study was completed in May 2005.

SC 40 entered the production period following the signing of the joint determination of commerciality on November 25, 2005. This also automatically extended its term for 25 years. In addition, a Libertad Production Area totaling 8,000 hectares had been approved.

The L95-1 well was in production from February 2012 to July 2015 and was permanently plugged and abandoned in November 2017.

In 2018, a land gravity survey was conducted in the municipalities of Daanbantayan and Medellin from April 2 to 27. A total of 94 gravity stations were acquired at a spacing of 200 meters to 500 meters. The processing and interpretation of the gravity data was carried out in two stages. The first stage was a 3D inverse grid depth modeling which was undertaken by Cosine and completed in early 2019. The second stage was a detailed stratigraphic 3D multi-sectional model done in-house by the FEI

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technical team under Cosine's quality control supervision. During this stage, a number of possible carbonate bodies were identified in certain areas of the block. Delineation of these features required additional data; thus, another gravity survey was conducted in the first quarter of 2020.

On December 2, 2019, the DOE approved the WP&B for 2020, which includes the continuation of stage two of the gravity interpretation, radioactive waste management, and the conduct of a land gravity survey. The radioactive sources, which were part of FEI's wireline logging tools, were safely transported from Daanbantayan, Cebu and turned over to the Philippine Nuclear Institute in February 2020. FEI applied for the termination of its radioactive materials license, which requires a certification that the facilities are not contaminated. To get this certification, radioactivity levels must be measured onsite at a certain period after the removal of radioactive materials. However, this activity needed to be conducted once travel restrictions eased to ensure the safety of the personnel from COVID-19. Thus, this was temporarily deferred until the situation improves.

In early 2020, FEI conducted a land gravity survey in parts of the Municipality of Daanbantayan and Bogo City. This aims to further delineate the carbonate bodies detected in the said areas by the initial 3D gravity modeling exercise in 2019. The survey began on February 18, 2020, and was completed on March 14, 2020 with a total of 84 stations, located 300 meters to 500 meters apart, acquired along predetermined gravity profiles.

After completing the correction of meter readings, coordinates, and elevations of gravity stations acquired during the survey, FEI forwarded the data to Cosine for data reduction, processing, and interpretation.

The report for the first phase of gravity interpretation was received from Cosine in early December 2020 and submitted to the DOE in February 2021. The data acquired will be incorporated with the results of the previous gravity surveys and will be used to update the current depth model for northern Cebu. The second phase of the study involved depth modelling and identification of gravity prospects and leads. The model was reviewed by Cosine and initial feedback was received by FEI in the fourth quarter of 2021. FEI will reevaluate the model based on Cosine's advice.

The WP&B for CY 2022 was submitted to the DOE on December 14, 2021. It includes the continuation of gravity modelling stage two and the preparation of drilling programs for two wells.

Pitkin Petroleum Limited

PERU BLOCK Z-38

In April 2007, Block Z-38 was awarded to Pitkin. An FIA has been made by Pitkin which resulted in Karoon obtaining an operating interest of 75%. The block covers an area of 4,875 sq. km and is located in the Tumbes Basin in offshore Northwest Peru.

In 2014, the Peruvian oil and gas regulator, Perupetro SA, approved the application to place Block Z-38 into *force majeure*. The application was made due to the failure of the operator, Karoon, to secure a suitable drilling unit within the required timeframe on the Pacific side of the Americas. The application was granted effective September 1, 2013.

On January 10, 2018, Karoon announced that it has executed an FIA with Tullow Peru Limited, a wholly owned subsidiary of Tullow Oil Plc, in which Tullow will acquire a 35% interest in the block upon drilling the Marina-1X well. Following the farm-in of Tullow, Karoon's interest decreased to 40% while Pitkin's interest remained at 25%.

Effective September 12, 2018, Perupetro approved the lifting of the *force majeure* on Block Z-38 upon Karoon's request. In view of this, the third exploration period will expire on July 1, 2020.

The Marina-1X well was spudded on January 26, 2020 at a water depth of 362 meters. It reached a total depth of 3,021 meters measured depth (2,889 meters true vertical depth) on February 15, 2020. Mudlogging and Logging While Drilling (LWD) results from the primary targets in the Tumbes Formation indicated that the well encountered thin water-bearing sands with no oil and only minor gas shows.

The Marina-1X exploration well drilling campaign was completed in the first quarter of 2020. Following this, the evaluation of the technical data and reprocessing of vintage 2D seismic data were completed during the fourth quarter of 2020. Due to delays in the drilling of the well, a six-month extension was requested and granted by Perupetro, extending the end of the current third exploration period to December 31, 2020. However, following the temporary closure of Karoon's Peru office due to the COVID-19 lockdown and quarantine requirements declared by the Peruvian government, the operator applied for *force majeure* on the block. The *force majeure* was granted by the authorities on July 14, 2020 and applies from March 16, 2020 until such time as relevant lockdown requirements are removed.

On November 17, 2020, Tullow issued a notice of withdrawal from the contract and joint operating agreement effective December 31, 2020. As a result, Karoon reacquired Tullow's 35% interest and Pitkin maintained its 25% interest in the block.

On November 27, 2020, Perupetro lifted the *force majeure* and advised Karoon that the last day of the third EP is on July 27, 2021.

In April 2021, Karoon notified Pitkin that it does not wish to enter the Fourth exploration period and will withdraw from the contract and JOA. In view of this, Pitkin sent a notice of dispute to Karoon on May 25, 2021 and issued a claim against Karoon for breach of its FIA obligations that included fully funding all exploration activities until the second well is drilled. On July 27 2021, the Z-38 license contract expired due to Karoon's failure to enter the fourth exploration period and to carry Pitkin to one well under the FIA.

On September 17, 2021, Pitkin and Karoon, through their respective entities, entered into a deed of settlement and release (the Deed) to settle all disputes in connection with Block Z-38. Under the Deed, Karoon paid Pitkin US$ 9.6 million in cash (Settlement Sum) as a full and final settlement of all claims by Pitkin in the block. The Deed became effective upon the receipt of the Settlement Sum by Pitkin on October 4, 2021.

FINANCIAL AND OPERATING PERFORMANCE

In 2021, PXP Energy Corporation (PXP) posted consolidated operating revenues of ₱64.2 million (2020: ₱30.3 million; 2019: ₱72.5 million) consisting solely of revenues from petroleum.

The revenues in 2021 were contributed by FEL, a 79% directly and indirectly owned subsidiary of the Company, from its participating interest in the Galoc Field.

Oil production during the year were as follows:

	2021	2020	2019
Oil Revenues (in millions)	₱64.2	₱30.3	₱72.5
Barrels (net to FEL)	18,739	14,682	24,251

REVENUES

In 2021, the higher petroleum revenue resulted from three oil liftings for both periods equivalent to a gross volume of 631,948 barrel (bbls) of oil during the current period (2020: 750,506 bbls) and 82% increase in average crude oil prices at US$ 70 per bbl (2020: US$ 38 per bbl). The increase in crude oil prices was a result of the recovery in worldwide demand following the COVID-19 pandemic. The revenues were contributed by FEPC, a 100% subsidiary of FEL, from its 3.21% participating interest in SC 14C-1 (Galoc oil field).

In 2020, lower petroleum revenue was a result of the decline in the volume of oil lifted at 750,506 bbls (2019: 993,761 bbls) and a 40% drop in average crude oil prices of US$ 38 per bbl (2019: US$ 63 per bbl) due to substantially lower global demand amidst the COVID-19 pandemic.

In 2019, the decline in revenues was due to the 15% drop in average crude oil prices at US$ 63 per bbl (2018: US$ 74 per bbl) and the decline in the oil production of SC 14C-1 Galoc, which yielded a gross volume of 993,761 bbls (2018: 1.1 millions of barrels of crude oil). In addition, the plug and abandonment (P&A) of SC 14 Nido and Matinloc wells further contributed to the decline in output in the year 2019.

COSTS AND EXPENSES

In 2021, Costs and expenses reached ₱102.7 million (2020: ₱98.7 million), with production costs amounting to ₱40.6 million (2020: ₱34.1 million) resulting from the increase in production costs from the Galoc field, while general and administrative expenses went slightly down to ₱62.1 million (2020: ₱64.5 million).

In 2020, costs and expenses reached ₱98.7 million (2019: ₱190.6 million), with production costs amounting to ₱34.1 million (2019: ₱85.5 million), resulting from the decrease in production costs and depletion related to the lower volume lifted in Galoc. Meanwhile, general and administrative expenses went down to ₱64.5 million (2019: ₱105.1 million) because of lower P&A costs and the continuous cost control by the management.

In 2019, costs and expenses were lower. They stood at ₱190.6 million (2018: ₱221.4 million) as petroleum production costs went down to ₱85.5 million (2018: ₱131.0 million), resulting from a 27% decline in oil production cost and 43% lower depletion. General and administrative expenses stood at ₱105.1 million (2018: ₱90.4 million), resulting from the additional decommissioning costs in SC 14 Nido and Matinloc wells at ₱38.4 million. However, the total recurring overhead was flat due to the management's continuing cost control and sharing costs between subsidiaries.

NET OTHER CHARGES

A net other charge of ₱4.071 billion was incurred during the year in review (2020: ₱16.6 million) due to the impairment of deferred oil and gas exploration costs in Peru Block Z-38 amounting to ₱3.421 billion as the license contract for Block Z-38 expired on July 27, 2021. The expiration occurred because the operator, Karoon Gas Australia Ltd. (Karoon), failed to enter the fourth exploration period. In addition, goodwill written-off related to the exit in the said block amounted to ₱980.0 million. Meanwhile, gain on settlement of deed, net of related consultancy, and legal expenses amounted to ₱442.2 million as Pitkin and Karoon entered into a Deed of Settlement and Release to settle all disputes in connection with Block Z-38. Under the deed, Karoon paid Pitkin US$9.6 million in cash in full for the final settlement of all claims by Pitkin in the block. The deed became effective upon receiving the cash settlement by Pitkin on October 4, 2021.

In addition, provisions for plug and abandonment costs due to changes in estimates amounted to ₱122.9 million. This represents estimates for FEL's share in plug and abandonment costs related to SC 14C Galoc and the West Linapacan blocks. Foreign exchange gain, representing the weakening of the Philippine Peso vis-à-vis the US Dollar, amounted to ₱11.3 million. Meanwhile, interest expense and interest income amounted to ₱504 thousand and ₱113 thousand, respectively; these figures represent interest charges related to leases and interest earnings from bank deposits.

In 2020, net other charges of ₱16.6 million were incurred due to the impairment in property and equipment related to SC 14C-1 Galoc, amounting to ₱5.9 million; this development is due to the lower-than-expected future returns in SC 14C-1 Galoc as a result of the crash in global crude oil prices and the ongoing evaluation of the continuous production of the field due to the COVID-19 pandemic.

In 2019, a net other charge of ₱180.3 million was incurred. This includes provisions for impairment of assets amounting to ₱194.6 million due to the write-down of Galoc wells and platforms caused by the lower-than-expected future returns on the asset. Gains on the termination of the subscription agreement amounting to ₱40.3 million were recorded following the forfeiture of the down payment made by a third party in relation to the subscription of PXP shares. Foreign exchange loss stood at ₱12.4 million, resulting from foreign currency exchange differences from converting the Group's dollar-denominated currency to the peso and vice versa. Provision for P&A costs due to changes in estimates amounted to ₱10.7 million, representing additional P&A costs in SC 14 Nido and Matinloc. Loss on write-off of goodwill and other noncurrent assets totaled ₱4.5 million, of which ₱4.2 million relates to the impairment of goodwill in SC 14C-1. Interest income stood at ₱2.6 million (2018: ₱2.8 million), while interest expense increased to ₱1.0 million from ₱76 thousand due to the adoption of Philippine Financial Reporting Standards (PFRS) 16 - Leases.

	YEARS ENDED DECEMBER 31		
IN MILLIONS	**2021**	2020	2019
Provision for impairment for:			
Deferred oil and gas exploration costs	**₱(3,421.4)**	₱–	₱–
Property and equipment	**–**	(5.9)	(194.6)
Loss on write-off of:			
Other current assets	**–**	(0.3)	–
Goodwill	**(980.0)**	–	(4.2)
Other non-current assets	**–**	–	(0.3)
Gain on settlement of deed	**442.2**	–	–
Provision for plug and abandonment costs due to change in estimates	**(122.9)**	–	(10.7)
Foreign exchange gains (losses) - net	**11.3**	(10.0)	(12.4)
Interest expense	**(0.5)**	(1.1)	(1.0)
Interest income	**0.1**	0.7	2.6
Gain on termination of subscription agreement	**–**	–	40.3
Others	**(0.1)**	–	–
	₱ (4,071.3)	₱ (16.6)	₱ (180.3)

NET LOSSES

A consolidated net loss of ₱3.143 billion (2020: ₱76.3 million) was incurred due to the impairment of deferred exploration costs and goodwill. This was offset by settlement gains from Karoon and derecognition of Deferred tax liabilities, all of which were related to Peru Z-38 and increased profit from Galoc operations. As such, net loss attributable to equity holders of the Parent Company amounted to ₱1.714 billion (2020: ₱56.1 million), with basic and diluted loss per share amounting to ₱0.875 (2020: ₱0.029). Core net loss was substantially lower at ₱32.5 million (2020: ₱45.9 million).

In 2020, consolidated net loss of ₱76.3 million (2019: ₱297.2 million) was recorded due to reduction in cost and expenses, lower impairment loss incurred in SC 14C-1 Galoc; this loss was offset by the decrease in oil revenues. As such, net loss attributable to equity holders of the Parent Company amounted to ₱56.1 million (2019: ₱272.1 million), with basic and diluted loss per share amounting to ₱0.029 (2019: ₱0.139). Core net loss was substantially lower and amounted to ₱45.9 million (2019: ₱79.8 million).

In 2019, consolidated net loss stood at ₱297.2 million (2018: ₱96.4 million) primarily because of the provision for impairment assets and P&A costs. Net loss attributable to equity holders of the Company was higher at ₱272.1 million (2018: ₱77.0 million). Additionally, core net loss was at ₱79.8 million (2018: ₱98.6 million), and basic and diluted loss per share amounted to 0.139 (2018: ₱0.045).

TOTAL ASSETS

As of December 31, 2021, the Company's total assets stood at ₱3.094 billion from ₱6.756 billion at the end of December 31, 2020. Total current assets increased to ₱585.4 million from ₱195.3 million as cash and cash equivalents increased by ₱386.5 million. This was mainly due to cash inflows from the settlement proceeds from the operator of Peru Block Z-38, KEI (Peru Z-38) Pty Ltd. Noncurrent assets reached ₱2.509 billion from ₱6.560 billion, primarily arising from the decrease in deferred exploration costs in Peru Block Z-38 amounting to ₱3.421 billion following the impairment in the said Block during the year. This was offset by exploration costs spent in SC 72. Meanwhile, goodwill decreased to ₱254.4 million from ₱1.234 billion following the impairment of Block Z-38.

On December 31, 2020, the Company's total assets stood at ₱6.756 billion from ₱6.865 billion at the end of December 31, 2019. Total current assets decreased to ₱195.3 million from ₱302.6 million. Cash and cash equivalents decreased by ₱102.9 million due to cash outlays for exploration expenses and overhead; this was offset by partial collection of unpaid subscription from Philex Mining Corporation (PMC). Noncurrent assets reached ₱6.560 billion from ₱6.563 billion, primarily arising from the decrease in the values of property, plant and equipment to ₱2.1 million from ₱18.7 million, following impairment charges in SC 14C-1 Galoc. Meanwhile deferred exploration costs went up to ₱5.316 billion as a result of exploration expenditures incurred in SC 72 and SC 74.

By December 31, 2019, the Company's total assets stood at ₱6.865 billion as against the ₱7.247 billion recorded on December 31, 2018. Total current assets dropped to ₱302.6 million from ₱428.9 million as cash and cash equivalents decreased from ₱342.4 million to ₱246.0 million. Trade and other receivables stood at ₱33.5 million from ₱40.7 million as there was no oil lifting during the last quarter of 2019. Meanwhile, inventories amounted to ₱7.3 million from ₱32.4 million as a result of reduced output from SC 14C-1. Total noncurrent assets amounted to ₱6.563 billion vs ₱6.818 billion in the previous year. Deferred oil and gas exploration costs decreased to ₱5.301 billion from ₱5.310 billion primarily due to foreign currency exchange translation adjustments. Property and equipment declined to ₱18.7 million from ₱230.8 million mostly from the write-down of SC 14C-1 and depletion. Deferred tax assets amounted to nil from ₱35.0 million in 2018 after its reclassification to deferred tax liabilities.

LIABILITIES

At the end of 2021, current liabilities amounted to ₱55.1 million from ₱24.9 million as at December 31, 2020, mainly a result of the increase in trade and other payables to ₱45.8 million from ₱24.3 million due to cash collections from the share of the consortium partners in SC 72 explorations costs; this was offset by the payment of trade payables with suppliers. Income tax payable increased to ₱8.7 million from 14 thousand at the end of the previous year due to higher income taxes during the year. Meanwhile, total noncurrent liabilities amounted to ₱422.5 million from ₱1.262 billion due to derecognition of deferred tax liabilities from ₱1.069 billion to ₱94.1 million; this was due to the write-down of Peru Block Z-38 and the effect of changes in tax rate caused by the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act. This was offset by the increase in other noncurrent liabilities to ₱324.0 million from ₱187.7 million, resulting from the provision for P&A costs related to SC 14C Galoc and West Linapacan amounting to ₱122.9 million. Total liabilities decreased to ₱477.6 million compared to the end of the prior year at ₱1.287 billion, resulting from the increase in current liabilities by ₱30.2 million and decrease in noncurrent liabilities by ₱839.3 million.

In the year prior, current liabilities on December 31, 2020 amounted to ₱24.9 million from ₱74.6 million on December 31, 2019. This change was mainly a result of the decrease in accounts payable and accrued liabilities to ₱24.3 million from ₱63.1 million, resulting from payments of trade payables with suppliers. In addition, provision for P&A costs amounted to nil as SC 14 Nido and Matinloc were permanently shut-in following end of field life. Total noncurrent liabilities amounted to ₱1.262 billion from ₱1.069 billion due to changes in deferred tax liabilities from ₱1.077 billion to ₱1.069 billion. Total liabilities decreased to ₱1.287 billion compared to the end of the prior year at ₱1.349 billion, resulting from the decreases in current liabilities by ₱49.8 million and noncurrent liabilities by ₱12.3 million.

Current liabilities as at December 31, 2019 declined to ₱74.6 million from ₱2.160 billion compared to the end of the previous year. This was primarily due to the reduction in advances from related parties from ₱2.125 billion to nil following the Company's full payment of debt to PMC. This was partially offset by the growth in trade and other payables from ₱34.0 million to ₱63.1 million arising from cash calls advanced by SC 74 consortium partners and provision for P&A cost in SC 14 Nido and Matinloc amounting to ₱10.4 million. Noncurrent liabilities stood at ₱1.274 billion from ₱1.305 billion. Deferred tax liabilities decreased to ₱1.077 billion from ₱1.113 billion resulting from the reclassification of deferred tax assets amounting to ₱35.0 million. Total liabilities were lower at ₱1.349 billion

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from ₱3.465 billion at the end of the prior year, following the reduction in current liabilities by ₱2.085 billion and non-current liabilities by ₱31.3 million.

EQUITY

Total equity reached ₱2.617 billion in 2021 compared to ₱5.469 billion at the end of 2020. Subscription receivable decreased by ₱121.1 million following full collection of remaining unpaid subscription from PMC. Deficit increased to ₱3.414 billion from ₱1.700 billion accounting for the net loss incurred during the year. Cumulative translation adjustment on foreign subsidiaries was higher at ₱183.3 million compared to ₱58.0 million in 2020 due to the depreciation of the Philippine Peso vs the US Dollar. Non-controlling interests decreased to ₱931.7 million from ₱2.316 billion resulting from the minorities' share in the losses and cumulative translation adjustments.

On December 31, 2020, total equity reached ₱5.469 billion while at the end of 2019, ₱5.517 billion was the recorded value for total equity. Subscription receivable decreased to ₱121.1 million from ₱184.3 million following partial collection of unpaid subscription from PMC. Equity reserves increased to ₱139.3 million from ₱122.3 million due to equity transaction with owners which includes: subscription of minority in the fund raising activity made by FEL and share buyback transaction done by Pitkin. Deficit increased to ₱1.7 million from ₱1.644 billion accounting for the net loss incurred during the year. Cumulative translation adjustment on foreign subsidiaries was lower at ₱58.0 million compared to ₱87.7 million in 2019 due to the appreciation of the Philippine Peso vs the U.S. Dollar. Non-controlling interests decreased to ₱2.316 billion from ₱2.358 billion.

By December 31, 2019, total equity reached ₱5.517 billion, while equity amounted to ₱3.782 billion at the end of 2018. Subscription receivable decreased from ₱2.311 billion to ₱184.3 million following the partial payment of PMC. In addition, deficit increased to ₱1.644 billion from ₱1.372 billion subsequent to the net loss incurred during the year. Moreover, cumulative translation adjustment on foreign subsidiaries decreased to ₱87.7 million from ₱153.9 million, resulting from the higher dollar-to-peso exchange rate.

NET CASH USED IN OPERATING ACTIVITIES

Net cash used in operating activities for 2021 stood at ₱2.0 million (2020: ₱106.0 million), resulting primarily from the proceeds of crude oil sales in Galoc. This was offset by payments of accounts payable and accrued liabilities, provision for P&A, and operating expenses.

During 2020, net cash used in operating activities for the year stood at ₱106.0 million (2019: ₱3.4 million), resulting primarily from the payment of accounts payable and accrued liabilities, provision for P&A, and operating expenses.

In 2019, net cash used in operating activities amounted to ₱3.4 million (2018: net outflow ₱22.7 million), which primarily resulted from the following: (1) cash received from SC 14C-1 from oil sales net of cash production expenses during the year amounting to ₱36.3 million; (2) overhead expenses at ₱69.0 million; which was offset by (3) cash received from the forfeited down payment made by a third party for the subscription of PXP shares amounting to ₱40.3 million.

NET CASH USED IN INVESTING ACTIVITIES

In 2021, net cash used in investing activities resulted in a net inflow of ₱239.0 million (2020: net outflow of ₱55.7 million) mainly for the cash proceeds from settlement of deed, with a net of expenses amounting to ₱442.2 million. This was offset by the cash spent in exploration activities in SC 72 and other service contracts totalling ₱202.0 million.

During 2020, net cash used in investing activities resulted in a net outflow of ₱55.7 million (2019: ₱83.0 million) mainly for the cash spent in exploration activities in SC 74 and SC 72 amounting to ₱54.0 million.

In the year 2019, net cash used investing activities amounted to a net outflow of ₱83.0 million (2018: ₱86.5 million) mainly due to additions in exploration activities in SC 74 and SC 72 amounting to ₱66.9 million. Additions pertaining to property and equipment amounting to ₱16.1 million, which relates to the cash spent for the partial installation of a condensate facility in SC 14C-1.

NET CASH PROVIDED BY FINANCING ACTIVITIES

Finally, net cash provided by financing activities amounted to ₱120.3 million (2020: ₱69.3 million) mainly from the cash received from PMC's partial payment of its outstanding subscription of PXP shares amounting to ₱121.1 million.

During 2020, net cash provided by financing activities amounted to ₱69.3 million (2019: net outflow of ₱4.0 million) due to: (1) cash received from PMC's partial payment of its outstanding subscription in PXP shares amounting to ₱63.2 million and; (2) proceeds from the issuance of the subsidiary's new shares during the fund raising activity in FEL amounting to ₱25.4 million. These were offset by the net cash outlay made by Pitkin during a share buyback activity.

In 2019, net cash used in financing activities stood at ₱4.0 million (2018: ₱6.3 million) coming from the cash received by PXP from PMC amounting to ₱2.126 billion, representing partial repayment of PMC's subscription to 260 million new PXP shares at ₱11.85 per share. This was offset by cash paid by PXP to PMC amounting to ₱2.125 billion representing full payment of outstanding advances from the latter.

NET EFFECT OF EXCHANGE RATE

Net effect of exchange rate changes that resulted from the conversion of cash and cash equivalents from Philippine Peso vis-à-vis the US Dollar amounted to a net inflow of 29.2 million (2020: net outflow of ₱10.5 million; 2019: net outflow of ₱6.0 million). This inflow represents the effect of exchange rate changes in cash and cash equivalents due to fluctuations in foreign currency exchange rates in each of the last three years. The exchange rates of the Peso to US dollar were ₱50.99, ₱48.02, and ₱50.74 to US$ 1 on December 31 during the years 2021, 2020, and 2019, respectively.

While PXP had a deficit at the end of 2021, the Group has sufficient cash to operate and may not need to raise funds in the next 12 months. PXP does not expect to purchase or sell any significant equipment and did not have any significant change in the number of its employees in 2021.

BOARD OF DIRECTORS

MANUEL V. PANGILINAN
CHAIRMAN OF THE BOARD

75, Filipino

First elected Director and Chairman of the Board on December 08, 2009, last reelected on June 25, 2021.

ACADEMIC BACKGROUND

Mr. Pangilinan graduated cum laude from the Ateneo de Manila University with a Bachelor of Arts degree in Economics. He received his Master of Business Administration degree from Wharton School of the University of Pennsylvania in 1968.

BUSINESS AND PROFESSIONAL BACKGROUND/EXPERIENCE

Mr. Pangilinan founded First Pacific Company Limited, a corporation listed on the Hong Kong Stock Exchange, in May 1981. He served as Managing Director of First Pacific Company Limited since its founding in 1981 until 1999. He was appointed Executive Chairman until June 2003, after which he was named Managing Director and Chief Executive Officer. In May 2006, the Office of the President of the Philippines awarded Mr. Pangilinan the Order of Lakandula, rank of Komandante, in recognition of his contributions to the country. He was named Management Man of the Year 2005 by the Management Association of the Philippines. Mr. Pangilinan was awarded Honorary Doctorates in Science by Far Eastern University in 2010; in Humanities by Holy Angel University in 2008; by Xavier University in 2007; and by San Beda College in 2002 in the Philippines. He was formerly Chairman of the Board of Trustees of the Ateneo de Manila University and was a member of the Board of Overseers of the Wharton School. He is a member of the ASEAN Business Advisory Council.

Mr. Pangilinan has also been a Director of Philex Mining Corporation and Philex Gold Philippines, Inc. since November 2008. He is also Chairman of the PLDT Inc. (PLDT) since 2004, after serving as its President and Chief Executive Officer (CEO) since 1998. He reassumed the position of President and CEO of PLDT from December 2015 until June 2021. He is also Chairman of Smart Communications, Inc., PLDT Communications and Energy Ventures, Inc. (Digitel), Metro Pacific Investments Corporation, Metro Pacific Tollways Corporation, Landco Pacific Corporation, Medical Doctors Inc. (Makati Medical Center), Colinas Verdes Corporation (Cardinal Santos Medical Center), Asian Hospital, Inc., Davao Doctors, Inc., Riverside Medical Center Inc., Our Lady of Lourdes Hospital, Central Luzon Doctor's Hospital, Inc., Maynilad Water Services Corporation, Mediaquest, Inc., Associated Broadcasting Corporation (TV5), and Manila North Tollways Corporation. Mr. Pangilinan is also Chairman of the Manila Electric Company (MERALCO), after serving as its President and Chief Executive Officer from July 2010 to May 2012. Mr. Pangilinan is also Vice Chairman of Roxas Holdings, Incorporated, the largest sugar producer in the Philippines. He is also a Director of Silangan Mindanao Mining Co., Inc.

Listed companies in the Philippines of which Mr. Pangilinan is currently a director:

1. PXP Energy Corporation
2. Philex Mining Corporation
3. PLDT Incorporated
4. Metro Pacific Investments Corporation
5. Roxas Holdings, Incorporated
6. Manila Electric Company

DANIEL STEPHEN P. CARLOS

PRESIDENT/DIRECTOR

58, Filipino

First elected Director on August 16, 2015,
last reelected on June 25, 2021.

ACADEMIC BACKGROUND

Mr. Carlos obtained his Bachelor of Science degree in Geology from the University of the Philippines (1984) and holds a Master of Science degree in Petroleum Geoscience from the Norwegian University of Science and Technology or NTNU (2002). He also has a Diploma in Petroleum Exploration and Reservoir Evaluation from the University of Trondheim, now NTNU (1988). He is a licensed Geologist and placed 3rd in the 1985 Geologist Licensure Examination.

BUSINESS AND PROFESSIONAL BACKGROUND/EXPERIENCE

He was with the Department of Energy (1985–1991), Basic Energy Corporation, PNOC Exploration Corporation, Forum Pacific, Inc., and CGG Multiwave. In February 2007, he joined Forum Energy Philippines Corporation as Vice President for Exploration and was appointed President in July 2013. He is currently the Resident Agent in the Philippines of Forum (GSEC 101) Limited, which operates Service Contract 72 or Recto Bank. He is also the President of Forum Energy Philippines Corporation and Forum Exploration, Inc. In October 2020, he was appointed as a Director and President and CEO of FEC Resources, Inc., a Canada-based listed company which is a 78.39% subsidiary of PXP.

Listed company in the Philippines of which Mr. Carlos is currently a director:

PXP Energy Corporation

EULALIO B. AUSTIN, JR.

DIRECTOR

60, Filipino

First elected Director on May 18, 2010,
last reelected June 25, 2021.

ACADEMIC BACKGROUND

Mr. Austin graduated from the St. Louis University in Baguio City, with a Bachelor of Science degree in Mining Engineering, and placed eighth in the 1982 Licensure Examination for Mining Engineers. He took his Management Development Program at the Asian Institute of Management in 2005 and his Advanced Management Program at the Harvard Business School in 2013.

BUSINESS AND PROFESSIONAL BACKGROUND/EXPERIENCE

Mr. Austin is a Director of Philex Mining Corporation and Philex Gold Philippines, Inc. since June 29, 2011. He became President and Chief Operating Officer of Philex Mining on January 01, 2012, and President and Chief Executive Officer on April 03, 2013.

He previously served Philex Mining as its Senior Vice President for Operations and Padcal Resident Manager in 2011, Vice President and Resident Manager for Padcal Operations from 2004 to 2010, Mine Division Manager (Padcal) from 1999 to 2003, Engineering Group Manager in 1998 and Mine Engineering & Draw Control Department Manager from 1996 to 1998. Mr. Austin concurrently serves as Chairman and Director of Silangan Mindanao Mining Co., Inc.

Outside of Philex Mining, he is a member of the Chamber of Mines of the Philippines' Board of Trustees. Mr. Austin also sits as a member of the Executive Committee of the Board of Trustees and serves as the Chairman of the Membership Committee as well as the Towards Sustainable Mining Initiative Committee. He is a Competent Person (CP) for Copper and Gold Deposit by the Philippine Society of Mining Engineers under the PMRC guidelines. He was awarded 2021 Outstanding Professional of the Year in the Field of Mining Engineering by the Professional Regulation Commission of the Philippines. Also in 2016, he was awarded Most Outstanding Engineer of the Philippine Society of Mining Engineers (PSEM), aside from being the Founding President of PSEM's Philex Chapter. He was also recognized as the CEO of the Year on Mining by The Asset last 14 December 2015 in Hong Kong and was recently an Asia Pacific Entrepreneurship Awardee by the Enterprise Asia, awarded November 2016.

Listed companies in the Philippines of which Mr. Austin is currently a director:

1. PXP Energy Corporation
2. Philex Mining Corporation

BENJAMIN S. AUSTRIA

INDEPENDENT DIRECTOR

76, Filipino

First elected Independent Director on August 04, 2011,
last reelected on June 25, 2021.

ACADEMIC BACKGROUND

Dr. Austria received his Bachelor of Science degree in Geology from the University of the Philippines Diliman in 1965. He earned his Master's and Doctorate degrees in Geology from Harvard University in 1968 and 1975, respectively. Dr. Austria retired in 2011 from the University of the Philippines as Professor of Geology after 45 years of service, teaching courses in Economic Geology, Geochemistry, and Crystallography. The UP National Institute of Geological Sciences building was completed and inaugurated while he was the Director of the Institute from 1987 to 1993.

BUSINESS AND PROFESSIONAL BACKGROUND/EXPERIENCE

Dr. Austria is a registered Geologist and was recognized as the Outstanding Professional in the Field of Geology in year 2001 by the Professional Regulation Commission of the Philippines. He has been a Member of the Board of Geology of the Professional Regulation Commission since 2016. He was Officer-in-Charge of the Board of Geology from November 2020 to March 2022. He is a Director and Chairman of the Earth Sciences & Geography Division of the Philippine Association for the Advancement of Science & Technology, a non-stock, non-profit corporation.

Listed company in the Philippines of which Dr. Austria is currently a director:

PXP Energy Corporation (Independent Director)

EMERLINDA R. ROMAN
DIRECTOR

72, Filipino

First elected Independent Director on August 04, 2011, last reelected June 25, 2021.

ACADEMIC BACKGROUND

Dr. Roman received her Bachelor of Science degree in Agriculture at the University of the Philippines Los Baños in 1972. She earned her Master's degree in Agribusiness Management in 1977 and her Doctor of Business Administration degree in 1989 from the College of Business Administration of the University of the Philippines Diliman.

BUSINESS AND PROFESSIONAL BACKGROUND/EXPERIENCE

Dr. Roman is the first woman president of UP where she is now Professor Emeritus at the Cesar E.A. Virata School of Business. She has held various administrative positions in UP – served as three-time Chancellor of the University's flagship campus – UP Diliman, Vice-President, Secretary of the Board of Regents, and finally its President. Dr. Roman was President when the University celebrated its centennial at which time the university went on an aggressive fundraising campaign raising more than ₱6 Billion.

Dr. Roman also served as Chair of the Board of Trustees of the International Rice Research Institute, President of the UP Foundation, Chair of the Friends of UP in America Foundation, and Chair of the UP Provident Fund.

She sits on the boards of Smart Communications, Inc., Digital Telecommunications Philippines, Inc., Redondo Peninsula Energy, and One Meralco Foundation. She is also Chair of the Board of Advisers of Manila Tytana Colleges and a Member of the Board of Trustees of Akademya Filipino.

Listed company in the Philippines of which Dr. Roman is currently a director:

PXP Energy Corporation (Independent Director)

MARILYN A. VICTORIO-AQUINO
DIRECTOR

66, Filipino

First elected Director on April 18, 2013, last reelected on June 25, 2021.

ACADEMIC BACKGROUND

Ms. Aquino was educated at the University of Santo Tomas (A.B.) and University of the Philippines (LL.B., cum laude) and was admitted to the practice of law in the Philippines in 1981.

BUSINESS AND PROFESSIONAL BACKGROUND/EXPERIENCE

Ms. Aquino joined SyCip Salazar Hernandez and Gatmaitan Law Offices in the Philippines in 1980 where she became a partner in 1989. Ms. Aquino's practice focused on banking, finance and securities, construction and infrastructure, investments, mergers and acquisitions, and mining and natural resources. Ms. Aquino is a Director of Philex Mining Corporation, Philex Gold Philippines, Inc., Silangan Mindanao Mining Company, Inc., Lepanto Consolidated Mining Company and Maynilad Water Services, Inc. She was also appointed as Chief Legal Counsel of PLDT in December 2018 and as Corporate Secretary in January 2022.

Listed companies in the Philippines of which Ms. Aquino is currently a director:

1. PXP Energy Corporation
2. Philex Mining Corporation
3. Lepanto Consolidated Mining Company

OSCAR S. REYES
DIRECTOR

76, Filipino

First elected Director on August 02, 2017, last reelected on June 25, 2021.

ACADEMIC BACKGROUND

Mr. Reyes received his Bachelor of Arts degree in Economics from the Ateneo de Manila University and graduated Cum Laude. He holds a Diploma in Business Administration and a Certificate in Export Promotion from the Waterloo Lutheran University and a Master's degree in Business Administration Program (all units completed) at the Ateneo Graduate School of Business. He took the Business Management Consultancy and Trainers' Program at the Japan Productivity Center under the Asian Productivity Organization; the Program for Management Development at the Harvard Business School, and; the Commercial Management Program at the Shell International Petroleum Corporation, Lensbury Centre, London.

BUSINESS AND PROFESSIONAL BACKGROUND/EXPERIENCE

Mr. Reyes was formerly the President and Chief Executive Officer of the Manila Electric Company. He is a member of the Advisory Board of PLDT, Basic Energy Corporation, and Pioneer Life Inc., and of the Advisory Council of the Bank of the Philippine Islands. He is the Chairman of Pepsi Cola Products Phils., Inc. and an Independent Director of Cosco Capital Inc., D.M. Wenceslao & Associates Inc., Sun Life Financial Phils., Inc., Sun Life Prosperity Funds, Philippine Dealing System Holdings Corp., Philippine Dealing and Exchange Corp., Philippine Depository and Trust Corp., Philippine Securities Settlement Corp., Pioneer Insurance & Surety Corporation, Pioneer Intercontinental Insurance Corporation, Team Energy Corporation, among other firms. He is a member of the Board of Trustees of Pilipinas Shell Foundation, Inc., and El Nido Foundation, Inc. Mr. Reyes served as Country Chairman of the Shell Companies in the Philippines, concurrently President of Pilipinas Shell Petroleum Corporation and Managing Director of Shell Philippines Exploration B.V.

Listed companies in the Philippines of which Mr. Reyes is currently a director:

1. PXP Energy Corporation
2. Cosco Capital Inc.
3. D.M. Wenceslao & Associates Inc.

DIANA V. PARDO-AGUILAR

DIRECTOR

58, Filipino

First elected Director on May 19, 2015, last reelected on June 25, 2021.

ACADEMIC BACKGROUND

Ms. Pardo-Aguilar holds a Master's degree in Business Administration major in International Business and Finance from Pepperdine University, California (1988) and a Bachelor of Science in Computer Studies from De La Salle University (1985).

BUSINESS AND PROFESSIONAL BACKGROUND/EXPERIENCE

Ms. Pardo-Aguilar is a Commissioner of the Social Security System since August 2010. She was also a director of Security Bank Corporation from November 2010 to April 2016, Senior Advisor to the Board from July 2016 to April 2017 and Chairperson of the Trust Committee. She also serves as Chairperson of SB Capital Investment Corporation since August 2016. Ms. Aguilar is an investment banker with extensive experience in capital markets transactions and an entrepreneur with businesses in the fields of information technology and electronic payments, retail trade, and property management. Ms. Aguilar holds concurrent directorships in the fields of investment and commercial banking, social protection, information technology & e-payments, retail and supply chain, education, and property management. Ms. Aguilar's concurrent board positions are Chairperson of the Board of Trustees of La Salle Greenhills since September 2021; Member of La Salle East Asia Boards LEAD Economic Council and LEAD Investment Board since August 2020; Member of De La Salle Philippines Investment Committee since July 2018; Member of De La Salle-College of Saint Benilde, Inc. Executive Finance Committee of the Board since July 2020; Board of Trustees of De La Salle Medical and Health Science Institute since October 2020. She also sits as the Chairperson of the Audit Committee of Makati Medical Center since July 2018; Advisor to the Board of Philippine Seven Corporation since January 2015; Independent Director of Science Park of the Philippines, Inc., since June 2020; Governor and Vice President of Employers Confederation of the Philippines since January 2017. Her past board positions include Chairperson of Finance Committee and Treasurer of LaSalle Greenhills from September 2019 to 2021; Director of Philex Mining Corporation from 2019 to 2021; Director of Wenphil Corporation from 2012 to 2019; Director of Electronic Commerce Payments, Inc., from 2004 to 2019; Director of Ionics, Inc., from 2016 to 2019; Treasurer of De La Salle Santiago Zobel from 2004 to 2017; and Director of Phoenix Petroleum Philippines, Inc. from 2010 to 2013.

Listed company in the Philippines of which Ms. Pardo-Aguilar is currently a director:

1. PXP Energy Corporation
2. Security Bank Corporation

JOSEPH H.P. NG
DIRECTOR

59, British

First elected Director on May 21, 2019,
last reelected on June 25, 2021.

ACADEMIC BACKGROUND

Mr. Ng received an MBA and a Professional Diploma in Accountancy from Hong Kong Polytechnic University. He is a member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, and the Institute of Chartered Accountants in England and Wales.

BUSINESS AND PROFESSIONAL BACKGROUND/EXPERIENCE

Mr. Ng joined First Pacific Company Limited in 1988 from PriceWaterhouse's audit and business advisory department in Hong Kong. He was appointed as Associate Director in April 2019. Prior to that, he was Executive Vice President of Group Finance and served in several senior finance positions within the First Pacific Group, including as the Head of Finance of its regional telecom division and a director of a number of its telecom joint ventures in India, Indonesia, and China. Mr. Ng is also a Non-Executive Director of Philex Mining Corporation, and a Commissioner of PT Indofood Sukses Makmur Tbk.

Listed companies in the Philippines of which Mr. Ng is currently a director:

1. PXP Energy Corporation
2. Philex Mining Corporation

CORPORATE GOVERNANCE

CONFIRMATION STATEMENT

As a publicly listed Philippine corporation, PXP conforms to the corporate governance rules, requirements, and regulations of the Philippine Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE). The Company is committed to the highest standards of corporate governance and continues to benchmark against recognized international best practices.

To ensure constant improvement, PXP monitors developments in corporate governance to elevate its corporate governance structures, processes, and practices to global standards. It also advocates an ethical corporate culture guided by its core values of integrity, teamwork, respect for individuals, work excellence, as well as corporate, social, and environmental responsibility.

The Company has been awarded thrice by the Institute of Corporate Directors as one of the top-performing publicly listed companies in the Philippines under the ASEAN Corporate Governance Scorecard (ACGS). The awards were given in July 2018, June 2019, and February 2021.

A. RIGHTS OF SHAREHOLDERS

PXP respects the rights of all shareholders, in accordance with the Corporation Code of the Philippines, the Company's articles of incorporation, by-laws, and the Company's Revised Manual of Corporate Governance (MCG).

A.1. Basic Shareholders Right

DIVIDEND POLICY

The Company's dividend policy is to distribute up to 25% of core net income and to pay cash dividends within 30 calendar days to shareholders of record from the date of declaration.

PXP has not declared any cash or other dividends from the time of its incorporation. Apart from legal restrictions governing the declaration of dividends, there are no restrictions that limit its ability to pay dividends, whether currently or in the future.

A.2. Right to Participate in Decisions

Shareholders have the right to participate in decisions concerning fundamental corporate changes. The following corporate actions require the vote of shareholders holding at least two-thirds of the Company's outstanding capital stock:

1. Amendment to the articles of incorporation
2. Increase in capital stock
3. Sale or disposition, including the constitution of a mortgage or a pledge, of all or substantially all of the Company's assets
4. Investment of corporation funds for a purpose other than the Company's primary purpose
5. Waiver of preemptive rights for specific transactions
6. Mergers and consolidations

A.3. Right to Participate Effectively and Vote

PXP's shareholders have the right to participate effectively and vote in shareholders' meetings. The Company ensures that shareholders are informed of the rules, including the voting procedures that govern general shareholder meetings.

The Company respects and recognizes the right of minority shareholders to nominate directors. This right is corollary to the right to vote, which is guaranteed under the Corporation Code of the Philippines and recognized in the Company's by-laws and MCG.

Under the Company's by-laws, shareholders may submit nominations to the Board of Directors' Nominations Committee. The deadline for submission of nominations is on March 23 of each year or such other date as may be determined by the Board.

For 2022, the deadline for nominations was announced by the Company on April 22 via the PSE's disclosure system. PXP also announced the date and record date of the Annual Stockholders' Meeting (ASM).

All shareholders have the right to vote each year for the following:

1. Election of directors
2. Approval of the minutes of shareholders' meeting/s held in the previous year
3. Approval of the annual report and the audited financial statements
4. Selection of election inspectors for the ensuing year
5. Selection of the external auditors

VOTING PROCEDURES

For 2022, the Company has initiated an online voting mechanism for certificated shareholders to allow voting in absentia. The procedures for online voting are disclosed in the Notice to the ASM — Definitive Information Statement (DIS), disclosed in the Company's website. In 2022, the online voting mechanism was made available until June 20, 2022. The online voting, done by casting a ballot, entitles shareholders to vote remotely during the online meeting or via proxy. Shareholders should submit their assigned proxies by June 13, 2022.

Shareholders are given security codes to register for the online ASM. In the case of proxy voting, the proxy designated by the shareholder to attend the ASM is provided with ballots for vote casting, in accordance with the shareholder's instructions and as indicated in the proxy form. Proxies will be tabulated by Stock Transfer Service, Inc., the Company's stock transfer agent. The results of the tabulation will be announced under the relevant items on the agenda of the ASM and will be disclosed on the Company's website right after the meeting.

The Corporate Secretary will explain the voting procedure at the start of the meeting, which will form part of the minutes of the ASM and will be posted on the Company's website. The Corporate Secretary will be assisted by the Company's independent election inspectors, such as SGV & Co., in the tabulation of the proxies and counting of votes. The voting and tabulation procedures are further explained in the Company's Notice of ASM.

SHAREHOLDERS' MEETING

PXP recognizes the right of all shareholders to attend all scheduled shareholders' meetings. Regular shareholders' meetings shall be held annually in May in accordance with the Company's by-laws, or such other date as may be determined by the Board. The holding of the annual meeting is mandatory to allow shareholders to elect the Board of Directors and be updated on the Company's condition, plans, and programs. The meeting also serves as an opportunity for shareholders to ask questions and raise relevant issues or concerns. Special meetings, as needed, shall be held at any time and for any purpose.

The minutes of the ASM are posted on PXP's website within five days from the date of the meeting. The minutes cover the open forum during the ASM, voting results per agenda, the resolutions taken up during the ASM, and the attendance of directors and key officers. As a matter of practice, the members of the Board, the Chairman, the President, Audit Committee Chairman, Board Risk and Resource Oversight Committee Chairman, representatives of the external auditor, other key officers, and employees, are present during the scheduled meetings of shareholders. They shall have the opportunity to make a statement, should they desire to do so, and be available to respond to questions.

DISCLOSURE AND RELEASE OF NOTICE OF ASM TO SHAREHOLDERS

The Company disclosed to the PSE its SEC Form 20IS (DIS) on June 1, 2022. It likewise sent out the notice of meeting to shareholders, stating the date, time, place, and detailed agenda with explanatory circulars as needed per item. The notice is sent out at least 28 days prior to the scheduled date of the annual meeting.

The announcement on the ASM was made two months before the actual date of the meeting and was published in at least two major newspapers of general circulation.

A.4. Markets for Corporate Control

In cases of mergers, acquisitions or takeovers requiring shareholders' approval, the Board, as a matter of practice, appoints an independent party to evaluate the fairness of the valuation, terms, and conditions of such transactions.

In cases of mergers and acquisitions, the Chairman and the President, together with external financial and technical consultants, prepare a detailed recommendation for consideration by the Board. An independent consultant or independent financial advisor and legal counsel is retained to review the terms and conditions of contracts and to evaluate the merits of each specific transaction.

A.5. Institutional Investors

PXP recognizes the exercise of ownership rights by all the shareholders, including those of institutional investors. The Philippine Social Security System (SSS) is the only institutional investor in the Company, with more than 5% ownership stake as of April 30, 2022. PXP does not have any shareholder earning more than 50%.

B. EQUITABLE TREATMENT OF SHAREHOLDERS

B.1. Shares and Voting Rights

The Company has only one class of common share, each entitled to one vote.

Cumulative voting, which enhances the ability of minority shareholders in voting the election of directors, is allowed.

B.2. Notice of ASM

The Notice of ASM bears the resolutions in the most recent ASM, and each resolution deals with only one item. There is no bundling of several items into the same resolution. For a wider appreciation, all of the Company's notices and circulars are written and published in English.

The Notice of ASM also provides the following information:

1. The profiles of each director seeking election or re-election. These profiles include age, academic qualification, date of first appointment, experience, and directorships in other listed companies
2. Clear identification of external auditors seeking appointment or re-appointment
3. Dividend policy
4. Readily available proxy statements

The Notice of ASM is also available on the Company's website through the following link:

https://www.pxpenergy.com.ph/company-disclosure/notice-of-agm/

B.3. Trading and Abusive Self-Dealing Policies

TRADING BLACKOUTS

PXP strictly enforces and monitors compliance with its policy on insider trading which prohibits the trading of its securities during prescribed periods by the following covered persons:

1. Board of Directors
2. Management Team
3. Employees who have been made aware of undisclosed material information with respect to the Company and its operations

The blackout period begins 30 calendar days prior to the disclosure of the annual financial results and ends two full trading days thereafter. For the quarterly results, the blackout period begins 15 calendar days before the structured disclosure and ends two full trading days after the date of the disclosure.

POLICY ON DEALINGS IN COMPANY SHARES OF STOCKS

The Company's Policy on Dealings in Company Shares of Stocks is available on its website:

https://www.pxpenergy.com.ph/corporate-governance/company-policy/policy-on-dealings-in-company-shares/

Under the Revised Policy on Dealings in Company Shares of Stock, all concerned directors, officers, and employees are required to report to the Compliance Officer all respective dealings in Company shares within two business days. PXP must disclose this within three business days from the date of the transaction to prohibit directors and employees from benefiting from any knowledge not generally available to the public.

B.4. Related Party Transactions by Directors and Key Executives

The Company strictly adheres to the guidelines covering securities dealings to comply with existing government regulations and promote fairness.

Changes in personal shareholdings of Directors and PXP's key officers resulting from open market transactions or the grant of shares from incentive-based schemes implemented by the Company are reported to the SEC and PSE within specified deadlines.

All material or significant related party transactions (RPTs) are subject to review and endorsement by the Corporate Governance and Related Party Transaction Committee with the concurrence of all Independent Directors prior to approval of the Board. This ensures that they are in the best interest of the Company and its shareholders, in accordance with the Company's RPT Policy.

CONFLICT OF INTEREST POLICY

The Company's Conflict of Interest Policy is available on its website at:

https://www.pxpenergy.com.ph/corporate-governance/company-policy/conflict-of-interest-policy/

The policy ensures that all work-related decisions, actions or inactions of PXP's directors, officers, employees, and consultants are above board, based on sound business principles and judgment, and devoid of bias or partiality. The directors, employees, or consultants concerned shall likewise inhibit themselves from any direct or indirect participation or involvement at any stage of the transactional process flow where they are conflicted. They are also not allowed to sign any paper or document related to the transaction.

PXP shall not, directly or indirectly (through any subsidiary or affiliate), grant or arrange for any credit (or extensions thereof) in the form of personal loans to any director or officer unless allowed by applicable laws and regulations.

B.5. Protecting Minority Shareholders from Abusive Actions

PXP respects the rights of the minority shareholders and develops policies towards ensuring that the Board, in all cases, shall consider the corporate interest above all, as a whole. The key guidelines include:

1. Emphasis on the fiduciary responsibilities of the Board, the officers of the Company and its shareholders as well as the duties of care and exercise of prudence
2. Avoidance of conflicts of interest and prompt disclosure of potential conflict
3. Prompt, full, and fair disclosure of material information
4. Formulation of other policies towards prevention of actions that will favor the controlling interest or major shareholder/s at the expense of the minority shareholder
5. Adoption of these policies on RPTs:
    a. RPTs that can be classified as financial assistance to entities that are considered as Company's subsidiaries are all disclosed in the Company's financial statements.
    b. RPTs should be conducted in a way that ensures fair and at arm's length dealings.

C. ROLE OF STAKEHOLDERS

C.1. Respecting Rights of Stakeholders

CUSTOMERS

In line with PXP's Code of Business Conduct and Code of Ethics (Code), the Company upholds fair and transparent dealings with its customers.

All the transactions and business relationships with customers are covered by contracts and comply with existing laws and regulations in the country.

SUPPLIER/CONTRACTOR PRACTICE

The Company's Policy on Vendor Relations is available on the Company's website through the following link:

https://www.pxpenergy.com.ph/corporate-governance/cg-disclosures/supplier/

Under this policy, PXP shall promote and implement standards of relationships with suppliers that embody the Code's principles and core values, as defined in the Code. Directors, employees, and consultants shall maintain the Company's reputation for equal opportunity and honest treatment of suppliers in all business transactions through these guidelines:

1. The Company shall seek and maintain mutually beneficial relationships with suppliers that uphold its principles and core values.
2. It shall give qualified suppliers adequate, fair, and equal opportunities to bid on goods and services for its projects or requirements.
3. It shall accredit suppliers based on established criteria that reflect its reputation for fair, equal opportunity and honest treatment of all suppliers.
4. As a general rule, purchases will be made on the basis of competitive bidding. The Company may apply the negotiated contract option if it will be to its best interest to enter into strategic partnerships with suppliers. All such strategic partnerships and negotiated transactions must be reported to and justified with the appropriate approving authorities and recorded prior to commitment. Transparency in all these transactions shall be maintained at all times. Such reports, justifications, and subsequent approval or disapproval of the appropriate authorities shall be kept by the procurement center.

ENVIRONMENT

As a socially and environmentally responsible company, PXP is committed to the continuous improvement of operations, and with respect to any adverse environmental impacts, faithful compliance with all laws, legislations, promotion of environmental awareness and commitment among its workers at all levels.

Compliance with Environmental Laws

A certificate of non-coverage (CNC) was issued by the Environmental Management Bureau (EMB) of the Philippine Department of Environment and Natural Resources (DENR) to Forum (GSEC 101) Limited on December 22, 2010 for the 2D and 3D seismic surveys conducted in SC 72 over the Recto Bank area from January to March 2011. Forum (GSEC 101) Limited allotted approximately US$ 50,000 for costs to ensure compliance with environmental laws.

The EMB issued another CNC on May 23, 2012 to cover all exploration activities in SC 72, including the drilling of exploration wells. It also issued an environmental compliance certificate (ECC) to FEI on February 19, 2010 for the extraction of natural gas from the SC 40 contract area and for up to 2MW natural gas-fired power plant project in Barangay Libertad, Bogo City, Cebu.

CNCs were also issued by the EMB to FEI on November 18, 2009 and April 13, 2012 to cover the land gravity surveys in SC 40.

The Company also obtained CNCs from the EMB on February 28, 2014 and March 22, 2016 to cover all exploration activities in SC 75 and SC 74, respectively.

Compliance by the Group with environmental laws helps assure the management that its business can be operated in a sustainable manner. As far as the Company is aware, the Group has complied with all environmental regulations with regard to the SCs.

COMMUNITIES

Through the SC 14C-1 Galoc consortium, PXP subsidiary Forum Energy Philippines Corporation has undertaken community assistance programs in various areas in Palawan, its host province.

Information about the Company's community assistance and corporate social responsibility programs is available on the Company's website:

https://www.pxpenergy.com.ph/corporate-governance/corporate-social-responsibility/

Human Rights Policy

PXP values the dignity and basic human rights of every individual, as provided under the Philippine Constitution and the Universal Declaration of Human Rights. In all its endeavors, the Company is committed to respect human rights and to conduct its activities in a manner consistent with applicable laws and best practice in petroleum exploration and development, environmental stewardship, health and safety, and community relations.

Anti-Corruption Programs and Procedures

The Company formulated a Code of Business Conduct and Ethics which upholds professionalism and ethics in business dealings and transactions. It has a Vendor Relations Policy and a Policy on Gifts, Entertainment, and Sponsored Travel.

Vendor Relations Policy

PXP promotes and implements standards of relationships with suppliers that embody the principles and core values defined in the Code through its Vendor Relations Policy.

This Policy is available on the Company website:

https://www.pxpenergy.com.ph/corporate-governance/company-policy/supplier-contractor-relation/

Policy on Gifts, Entertainment, and Sponsored Travel

Under the Company's Policy on Gifts, Entertainment, and Sponsored Travel, directors, employees, and consultants shall refrain from putting themselves in situations or acting in a manner that could significantly affect the objective, independent, or effective performance of their duties and responsibilities in the Company.

Directors, employees, and consultants who have received gifts, entertainment, and sponsored travel from any third party with whom the Company does business or proposes to do business with, whether directly or indirectly, shall inform their donor that these were received on behalf of the Company and shall be handled in accordance with Company policy.

To conform with the letter and spirit of this policy, they are also required to disclose and obtain prior approval from their superior for any sponsored travel from third parties.

This Policy is available on the Company's website:

https://www.pxpenergy.com.ph/corporate-governance/company-policy/policy-on-gifts/

CREDITORS

As a matter of policy, the Company upholds the rights of our creditors by publicly disclosing all material information relating to the loan covenant.

C.2. Effective redress for violation of Stakeholders' Rights

Through its website, the Company provides contact details so that stakeholders (e.g., customers, suppliers, general public, etc.) can voice their concerns or complaints for possible violation of their rights. Details of the contact persons are as follows:

INQUIRIES FROM TRADE CREDITORS AND SUPPLIERS:

Mr. Mark Raymond H. Rilles
Finance Controller

BY POST:

PXP Energy Corporation

2/F LaunchPad, Reliance corner Sheridan Streets
Mandaluyong City 1550, Philippines
Telephone: (632) 8631-1381
Email: admin@pxpenergy.com.ph

C.3. Performance-Enhancing Mechanisms for Employees

EMPLOYEE DEVELOPMENT PROGRAMS

The Company respects the dignity and human rights of its employees, including the rights guaranteed by existing labor laws. PXP promotes safety, nondiscrimination, environmental awareness, and commitment in the workplace. It also supports programs that champion the engagement and development of employees.

In 2021, the Company conducted learning sessions and employee development programs. Each program is tailor fit for a specific audience within the organization to ensure focus and generate the best results. These programs are:

LEVEL	PROGRAM TITTLE
All levels	New employee orientation
Senior Managers and Officers	ACGES* 2021: Becoming Obsessed with the Customer
	ACGES 2021: Agile Leadership

** Annual Corporate Governance Enhancement Session*

SITE SAFETY POLICY

The Company adheres to a Site Safety Policy and is committed to the highest levels of health and safety to ensure every stakeholder's safety, and it espouses loss prevention as a way of life. While complying with all relevant legislations and the preservation of the environment, PXP strives to maintain a sound and safe working place for the prevention of injury, illness, property damage, and loss to processes.

Its compensation philosophy and principles are as follows:

1. Pay-for-Performance
2. Pay for competencies and skills
3. Pay competitively versus local competitors and other comparative companies
4. Provide a total rewards package that includes pay, benefits, employee recognition, employee development, and a work environment conducive to high performance
5. Benchmark against an effective performance management process

C.4. Means of Communication of Illegal or Unethical Practices by Employees

WHISTLEBLOWING POLICY

In accordance with the Company's adherence to the principles of good governance, its Whistleblowing Policy and procedures were issued to provide a system and venue for the proper submission, handling, or resolution of employees' complaints or disclosures regarding violations of corporate governance rules, questionable accounting or auditing matters, and offenses covered by the Company's existing Code of Discipline or Equivalent Policy.

CONFIDENTIALITY

All complaints and their details, including the identity of the whistleblower, witnesses, and employees named in the complaint, will be treated confidentially, unless the Company is required or compelled by law to release this information.

ANONYMOUS REPORTING

Any whistleblower complaint must be coursed or filed through the Company's various reporting channels. To aid further investigation of the complaint, a whistleblower who makes or files a complaint anonymously may opt to provide means by which he can be contacted without compromising his anonymity. For example, he can send and receive mails through a post office box number, an e-mail address, or communicate through text messages using a prepaid cellular phone number.

PROTECTION FROM RETALIATION

Subject to the provisions under Malicious Allegations, and without prejudice to legally mandated courses of action to protect one's right, baseless and illegal retaliation against any whistleblower or witness is prohibited. It will be dealt with in accordance with this policy, other relevant Company policies and rules, and applicable laws. A whistleblower or witness who will identify himself shall be protected from retaliation.

MALICIOUS ALLEGATIONS

A whistleblower's complaint is referred to the appropriate investigating unit (AIU). In case it was determined upon investigation that the whistleblower or witness has made baseless, untruthful, fabricated, malicious, or vexatious allegations, and has persisted in making such, disciplinary action may be taken against the whistleblower or witness. This is in accordance with pertinent Company policies and rules and applicable laws to protect the reputation of persons that may have been unjustly accused or implicated.

For purposes of this Policy, the AIU may either be the Internal Audit, Human Resources Department, Legal Department, Security Department, or a committee composed of representatives from those relevant units, where necessary.

The Company's Whistleblowing Policy is available on the Company's website:

https://www.pxpenergy.com.ph/corporate-governance/company-policy/whistle-blowing/

D. DISCLOSURE AND TRANSPARENCY

D.1. Transparent ownership structure

The following stockholders own more than five percent of the Company's stock as of March 31, 2022:

TITLE OF CLASS	NAME AND ADDRESS OF RECORD OWNER AND RELATIONSHIP WITH ISSUE	NAME OF BENEFICIAL OWNER AND RELATIONSHIP WITH RECORD OWNER	CITIZENSHIP	NO. OF SHARES HELD	% OF TOTAL OUTSTANDING SHARES
Common	**Philex Mining Corporation** 2nd Floor LaunchPad, Reliance Street corner Sheridan Street, Mandaluyong City, Metro Manila (Stockholder) See note 2.	Philex Mining (Direct and through PCD Nominee) See Note 1.	Filipino	Direct 260,000,000 Indirect 335,864,728	30.40%
Common	**PCD Nominee Corporation (PCD Nominee)** (Stockholder) See Note 1.	See Note 1.	Filipino	392,929,441 (excludes shares of Philex Mining and SSS held through PCD Nominee)	20.05%
Common	**Asia Link B.V.** PrinsBernhardplein 200, 1097 JB Amsterdam, The Netherlands (Stockholder) See Note 3.	First Pacific Company, Ltd. See Note 3.	Non-Filipino	284,470,725	14.51%
Common	**Social Security System** Loan and Investment Office, 7/F SSS Building, Diliman, Quezon City (Stockholder) See Note 4.	Social Security System (Direct and through PCD Nominee) See Note 4.	Filipino	Direct 146,955,638 Indirect 59,735,867	10.54%
Common	**Two Rivers Pacific Holdings Corp.** 10/F MGO Building, Legaspi cor. Dela Rosa Sts., Legaspi Village, Makati City (Stockholder)	Two Rivers Pacific Holdings Corporation	Filipino	131,224,794	6.70%

(1) PCD Nominee Corporation (PCD Nominee), the nominee of the Philippine Depository & Trust Corp., is the registered owner of the shares in the books of the Company's transfer agent. The beneficial owners of such shares are PCD Nominee's participants who hold the shares on their own behalf or in behalf of their clients. PCD Nominee is a private company organized by the major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines. The 392,929,441 shares shown above are exclusive of the 335,864,728 shares owned by Philex Mining and the 59,735,867 shares owned by SSS, held through PCD Nominee.

(2) Philex Mining is represented by Mr. Manuel V. Pangilinan, Mr. Eulalio B. Austin Jr., Mr. Daniel Stephen P. Carlos, and Mr. Oscar S. Reyes in the Company's Board of Directors.

(3) Asia Link B.V. is a wholly owned subsidiary of First Pacific Company, Ltd. (First Pacific). Kirtman Limited, part of the First Pacific Group, is the registered shareholder of 65,221,981, shares or 3.328% of the outstanding shares of the Company. Maxella Limited, also part of the First Pacific Group, is the registered shareholder of 64,539,833 shares or 3.293% of the outstanding shares of the Company. Artino Limited, also part of the First Pacific Group, is the registered owner of 10,193,136 shares or 0.520% of the outstanding shares of the Company. Asia Link B.V., as part of the First Pacific Group, is represented by Mr. Joseph H.P. Ng in the Company's Board of Directors.

(4) Of the 206,691,505 shares of the Social Security System (SSS), 59,735,867 shares are held through PCD Nominee. Ms. Diana V. Pardo-Aguilar has been nominated to the Board of Directors of the Company to represent the SSS.

D.2. Quality of Annual Report

The Company's Annual Report contains the following information, which can be found on the sections and pages specified as follows:

INFORMATION	Page/s
Major Business Risks and How They are Being Managed	56-60
Corporate Objectives	66
Key Performance Indicators (Financial and Non-Financial)	66
Dividend Payment Policy	39
Details of Whistleblowing Policy	45
Biographical Details of Directors	31-38
Training and/or Continuing Education Program Attended by Each Director	61-64
Number of Board of Directors' Meetings Held and Attendance during the Year	54
Corporate Governance Confirmation Statement	39

D.3. Disclosure of Related Party Transactions

Please see page 42 for the discussion on the Related Party Transaction Policy. All related party transactions are reported in the Company's Notes to Audited Financial Statements found on pages 107 to 183 of this Annual Report.

DIRECTOR/OFFICER	DIRECT SHAREHOLDINGS AS OF JANUARY 1, 2021	CHANGES IN 2021	DIRECT SHAREHOLDINGS AS OF DECEMBER 31, 2021	INDIRECT SHARES	% OF CAPITAL STOCK
Manuel V. Pangilinan (Chairman)	1,603,465	–	1,603,465	1	0.08%
Daniel Stephen P. Carlos (President)	765	–	765	1	0.00%
Marilyn A. Victorio-Aquino (Non-Executive Director)	76,529	–	76,529	–	0.00%
Eulalio B. Austin, Jr. (Non-Executive Director)	208,223	–	208,223	1	0.01%
Diana V. Pardo-Aguilar (Non-Executive Director)	1	–	1	–	0.00%
Oscar S. Reyes (Non-Executive Director)	–	–	–	1	0.00%
Benjamin S. Austria (Independent Director)	191	–	191	–	0.00%
Emerlinda R. Roman (Independent Director)	1	–	1	–	0.00%
Joseph H.P. Ng (Non-Executive Director)	1	–	1	–	0.00%
Barbara Anne C. Migallos (Corporate Secretary)	71,677		71,677		0.00%
Paraluman M. Navarro (Treasurer)	2,431		2,431		0.00%
TOTAL	**1,963,284**		**1,963,284**	**4**	**0.10%**

The Company's Corporate Structure can be found on page 4.

D.4. Audit and Non-Audit Fees

For 2021, 2020, and 2019, independent auditors were engaged to express an opinion on the consolidated and stand-alone financial statements of the Company and its Subsidiaries (the Group) and to review the income tax calculations for the income tax returns of the Group. A regular audit was carried out based on Philippine Standards on Auditing.

The audit fees for the Parent Company were ₱ 1.2 million for 2021, ₱ 1.1 million for 2020, and ₱ 1.1 million for 2019. There were no non-regular audits conducted in 2021, 2020, and 2019.

D.5. Medium of Communications

The Company is committed to the highest standards of disclosure, transparency, and fairness in information dissemination. It provides the public with strategic operating and financial information through adequate and timely disclosures to the regulatory authorities, such as the SEC and the PSE. Along with regular periodic reports, PXP discloses all material information about the Company that may have an impact on valuation, its stock price, and the trading volume of its securities. All financial and nonfinancial disclosures are immediately posted on the Company Disclosures section of its website:

https://www.pxpenergy.com.ph/

QUARTERLY REPORTS

With the help of its Investor Relations Division, PXP addresses the various information requirements of the investing public.

The Company dutifully accomplishes and submits quarterly and annual reports on or even before the deadline prescribed by the regulatory agencies. Its quarterly reports can be found on the Company's website via this link:

https://www.pxpenergy.com.ph/company-disclosure/sec-filings/

ANALYST BRIEFINGS

Through in-person meetings or teleconferencing, annual meetings are conducted on a regular basis to provide timely updates on the financial and operating performance of the Company to the investment community.

The Public and Regulatory Affairs Group (formerly Corporate Affairs Group) handles the Company's public, media, and government relations functions. Media briefings are conducted after the ASM and, in some instances, before the analyst briefings. Copies of the analyst briefings and the media releases can be found by accessing the link below in the Company's website:

https://www.pxpenergy.com.ph/press-materials/press-materials/

D.6. Timely Filing/Release of Annual/ Financial Reports

PXP's audited financial statements are published on the Company's website and disclosed to the PSE and SEC within 60 calendar days from the end of the reporting financial year and can be accessed on the Company website through this link:

https://www.pxpenergy.com.ph/corporate-governance/cg-disclosures/mar-1-2022/

Philippine law mandates publicly listed companies to submit their SEC Form 17-A Annual Report to the PSE and SEC each year. The true and fair representation of the audited financial statements and annual report is affirmed by the Chairman of the Board, the President, and the Treasurer in the Statement of Management Responsibility.

COMPANY WEBSITE

The Company's website provides the following information accessible through links indicated below:

Business operations
https://www.pxpenergy.com.ph/home/our-business/philex-petroleum/

Financial statements (current and prior years)
https://www.pxpenergy.com.ph/company-disclosure/sec-filings/

Materials provided in briefings to analysts and media
https://www.pxpenergy.com.ph/press-materials/press-materials/

Shareholding structure
https://www.pxpenergy.com.ph/home/our-company/shareholding-structure/

Group corporate structure
https://www.pxpenergy.com.ph/home/our-company/group-structure/

Downloadable annual report
https://www.pxpenergy.com.ph/investor-relations/annual-reports/

Notice of ASM
https://www.pxpenergy.com.ph/company-disclosure/notice-of-agm/

Minutes of ASM
https://www.pxpenergy.com.ph/company-disclosure/minutes-of-agm/

Company's By-laws and Articles of Incorporation
https://www.pxpenergy.com.ph/home/our-company/articles/

D.6. Timely Filing/Release of Annual/Financial Reports

The contact details of the officer or office responsible for investor relations are as follows:

Mark Raymond H. Rilles
Finance Controller
Telephone No.: (632) 8631-1381
Email: admin@pxpenergy.com.ph

E. RESPONSIBILITIES OF THE BOARD

E.1. Board of Directors' Duties and Responsibilities

MANUAL ON CORPORATE GOVERNANCE

On May 31, 2017, the Company's Revised MCG were filed with the SEC in compliance with SEC Memorandum Circular No. 19, series of 2016, which were duly approved by the Company's Board of Directors on May 30, 2017.

This can be found on the Company's website via the link:

https://www.pxpenergy.com.ph/corporate-governance/cg-manuals/pxp-corporate-governance-2017/

DECISIONS REQUIRING BOARD APPROVAL

Decisions that require the approval of the Board pertain to ordinary business transactions of the Company and do not extend beyond the management of extraordinary corporate affairs nor above the limits of its authority as provided by law.

ROLES AND RESPONSIBILITIES OF DIRECTORS

Each Director has a three-fold duty of obedience, diligence, and loyalty to the corporation he serves. The Director shall:

a. Act in the best interest of the Company and for the common benefit of the Company's shareholders and stakeholders.
b. Exercise his best care, skill, and judgment, and observe utmost good faith in the conduct and management of the business and affairs of the Company.
c. Act within the scope of power and authority of the Company and the Board as prescribed in the Company's articles of incorporation and by-laws and under existing laws, rules and regulations.

Faithful compliance with the principles of good corporate governance is the paramount responsibility of, and shall start with, the Board. The Board is also required to exercise its corporate powers, conduct business, and control the properties of the Company in compliance with the corporate governance principles instituted in the Company's MCG. It shall also be responsible for fostering the long-term success of the Company and securing its sustained competitiveness.

The Company's Board Charter can be found on the Company's website via the link:

https://www.pxpenergy.com.ph/corporate-governance/cg-manuals/pxp-board-charter/

VISION AND MISSION

The Management and Board review and approve the Company's vision, mission, and corporate strategy on an annual basis and monitor or oversee the implementation of such corporate strategy.

The Company's vision is to be a highly respected, world-class energy resource company that is committed to deliver excellent value to its investors, employees, and other stakeholders. Its mission is to become a responsible energy resource company that explores and develops petroleum and coal resources for the use of society.

https://www.pxpenergy.com.ph/home/our-company/vision-mission/

E.2. Board Structure

CODE OF BUSINESS CONDUCT AND ETHICS

PXP is dedicated to doing business in accordance with the highest standards of ethics. The Company, its directors, officers, and employees shall comply with the Code. Its members shall endeavor to promote a culture of good corporate governance by observing and maintaining its core business principles of integrity, teamwork, work excellence, respect for individuals, corporate responsibility, and social and environmental responsibility in their relationships among themselves and with the Company's customers, suppliers, competitors, business partners, other stakeholders, government regulators, and the general public.

Details of the Company's Code of Conduct and Business Ethics can be found here:

https://www.pxpenergy.com.ph/corporate-governance/cg-manuals/pxp-code-of-business-conduct-and-ethics/

Board Structure and Composition

INDEPENDENT DIRECTORS

The Company adopts the common and ordinary meaning of the term "independence" and defines an Independent Director as a person independent of management. Apart from their shareholdings, Independent Directors are free from any business dealings or other relationship with the Company which could, or could reasonably be perceived to, materially interfere with the exercise of independent judgment in carrying out their duties and responsibilities to the Company.

The Board has two Independent Directors; this is in accordance with Philippine laws and regulations, specifically Section 38 of the Securities Regulations Code of the Philippines.

Independent directors shall serve for a maximum cumulative term of nine years, reckoned in accordance with pertinent rules of the SEC. After their term, the Independent Director shall be perpetually barred from re-election in the Company but may continue to qualify for nomination and election as a non-independent director. In the instance that the Company wants to retain an Independent Director who has served nine years beginning 2012, the Board should provide meritorious justifications and seek shareholders' approval during the ASM.

DIRECTORSHIP IN OTHER LISTED COMPANIES

Information on directorship in other listed companies of the Board is included in the profiles of each director found on pages 31 to 38 of this Annual Report.

THE BOARD COMMITTEES

Board Committees monitor the Company's activities and undertake a regular review of matters under their respective areas.

The various Committee Charters set forth their purposes, authority, duties and responsibilities, structure, and procedures in accordance with the Company's Revised MCG.

The full list of PXP's Board Committees can be found on the Company's website via the link:

https://www.pxpenergy.com.ph/corporate-governance/board-committees/

NOMINATIONS COMMITTEE

The primary purpose of the Nominations Committee is to assist the Board in dealing with matters relating to the appointment and removal of directors, formulate a nomination policy for the Board's consideration, and implement the approved nomination policy.

The complete details of the Company's Nominations Committee Charter can be found on the Company's website via this link:

https://www.pxpenergy.com.ph/corporate-governance/cg-manuals/pxp-nominations-committee-charter/

COMPENSATION COMMITTEE

The primary purpose of the Compensation Committee is to establish a formal and transparent procedures for recommending the appropriate remuneration of directors consistent with the Corporation Code and officers (Vice President and above, as per the Company's by-laws) of the Company to ensure that their compensation is consistent with the Company's financial strategy, sound risk culture, and the business environment in which it operates.

The complete details of the Company's Compensation Committee Charter can be accessed through the Company's website via this link:

https://www.pxpenergy.com.ph/corporate-governance/cg-manuals/pxp-compensation-committee-charter/

AUDIT COMMITTEE

The Audit Committee Charter sets forth the Audit Committee's purposes, authority, duties and responsibilities, structure, and procedures, as prescribed by the SEC's revised Code of Corporate Governance; the Company's revised MCG; and the Guidelines for the Assessment of Performance of Audit Committees of Companies Listed on the Exchange, promulgated by the SEC. The charter was also created in view of the establishment by the Board of a separate Risk Committee.

The primary purpose of the Committee is to assist the Board in its oversight functions over the following:

1. The integrity of the Company's accounting and financial reporting principles, policies, and internal control systems, including the integrity of the Company's financial statements and the independent audit thereof.
2. The Company's compliance with legal and regulatory requirements.
3. The Company's audit processes and the performance of the Company's internal audit organization and external auditor, including the external auditor's qualifications and independence. The Committee shall also have other duties and powers as may be delegated to the Committee by the Board, subject to limitations set by the Board and conveyed to the Committee.

The complete details of the Company's Audit Committee Charter can be found on the Company's website via this link:

https://www.pxpenergy.com.ph/corporate-governance/cg-manuals/audit-committee-charter/

CORPORATE GOVERNANCE AND RELATED PARTY TRANSACTIONS COMMITTEE

The Charter of the Corporate Governance and Related Party Transactions Committee sets forth its purposes, authority, duties and responsibilities, structure, and procedures, in accordance with the Revised Code of Corporate Governance of PXP.

The primary purpose of the Committee is to assist the Board in performing the corporate governance duties in compliance with PXP's MCG, the Revised Code of Corporate Governance of the SEC, the Corporate Governance Guidelines, and the listing rules of the PSE.

The complete details of the Company's Corporate Governance and Related Party Transactions Committee Charter can be accessed on the Company's website via this link:

https://www.pxpenergy.com.ph/corporate-governance/cg-manuals/pxp-cg-rpt-committee-charter/

FINANCE COMMITTEE

The Finance Committee has the primary oversight responsibility over the Company's corporate finance activities, including the management of its equity, financial risk (credit and concentration risks, liquidity, market, including foreign currency, interest rate, equity price, commodity risk, hedging, and derivative financial instruments), and the financing of major acquisitions.

The complete details of the Company's Finance Committee Charter can be found on the Company's website via this link:

https://www.pxpenergy.com.ph/corporate-governance/cg-manuals/pxp-finance-committee-charter/

BOARD RISK AND RESOURCE OVERSIGHT COMMITTEE

The primary purpose of the Committee is to assist the Board in assessing and managing enterprise risks, including financial, regulatory, strategic, and operational risks. It also ensures that there is an effective and integrated risk management process developed for the benefit of the Company and its shareholders, discharging other duties and powers as may be delegated to the Committee by the Board, subject to such limitations as the Board may determine.

The complete details of the Company's Board Risk and Resource Oversight Committee Charter can be found on the Company's website via this link:

https://www.pxpenergy.com.ph/corporate-governance/cg-manuals/pxp-board-risk/

E.3. Board Processes

ATTENDANCE

The Board has a predetermined schedule of meetings at the beginning of the calendar year. Meeting discussions are open, and independent views are given due consideration. As necessary, the Board likewise holds meetings through telecommunication or other electronic media. A separate meeting of non-executive directors without the presence of the Chairman or any of the executive officers is held at least once a year.

DIRECTORS' ATTENDANCE IN BOARD MEETINGS FOR 2021

BOARD POSITION	NAME	MEETINGS HELD	MEETINGS ATTENDED	ATTENDANCE RATE (%)
Chairman	Manuel V. Pangilinan	10	6	60
Member	Daniel Stephen P. Carlos	10	10	100
Member	Marilyn A. Victorio-Aquino	10	10	100
Member	Eulalio B. Austin, Jr.	10	10	100
Member	Joseph H.P. Ng	10	10	100
Member	Benjamin S. Austria (Independent Director)	10	10	100
Member	Emerlinda R. Roman (Independent Director)	10	10	100
Member	Diana V. Pardo-Aguilar	10	9	90
Member	Oscar S. Reyes	10	10	100

DIRECTORS' ATTENDANCE IN COMMITTEE MEETINGS FOR 2021

AUDIT COMMITTEE	NAME	MEETINGS HELD	MEETINGS ATTENDED	ATTENDANCE RATE (%)
Chairman	Emerlinda R. Roman	5	5	100
Member	Benjamin S. Austria	5	5	100
Member	Joseph H.P. Ng	5	5	100

BOARD RISK & RESOURCE OVERSIGHT COMMITTEE	NAME	MEETINGS HELD	MEETINGS ATTENDED	ATTENDANCE RATE (%)
Chairman	Benjamin S. Austria	3	3	100
Member	Emerlinda R. Roman	3	3	100
Member	Marilyn A. Victorio-Aquino	3	3	100
Member	Eulalio B. Austin, Jr.	3	3	100
Member	Diana V. Pardo-Aguilar	3	3	100

NOMINATIONS COMMITTEE	NAME	MEETINGS HELD	MEETINGS ATTENDED	ATTENDANCE RATE (%)
Chairman	Manuel V. Pangilinan	1	1	100
Member	Benjamin S. Austria	1	1	100
Member	Joseph H.P. Ng	1	1	100

ATTENDANCE

The Company regularly sends soft copies of complete sets of Board papers to directors via e-mail at least five days in advance, and the hard copies are physically distributed on the day of the Board meeting or earlier, upon the request of a director.

CORPORATE SECRETARY

The Company's Corporate Secretary is Atty. Barbara Anne C. Migallos, a Filipino and a resident of the Philippines. She brings with her many years of relevant experience in corporate law and legal practice, and has sufficient understanding of the financial reporting rules, standards, and practices.

The Corporate Secretary plays a significant role in supporting the Board in discharging its responsibilities. Among her functions are the following: safekeeping and preserving the integrity of the minutes of the meetings; informing the members of the Board of the agenda of their meetings; ensuring that the members have accurate information; and ensuring that all Board procedures, rules, and regulations are strictly followed by the members.

BOARD APPOINTMENTS AND RE-ELECTION

The Directors are elected by the shareholders at the ASM. Directors each serve a one-year term and until their successors are elected and qualified. Any vacancy in the Board before the end of their terms shall be filled in accordance with applicable law and rules. As needed, the Board uses professional search firms to fill in the vacancies of the Board.

The guidelines are set forth in this link:

https://www.pxpenergy.com.ph/corporate-governance/cg-manuals/pxp-board-charter/

The Board considers it appropriate that its structure comprises ethical and honest experts who are knowledgeable, experienced, and skillful in diverse fields relevant to the conduct of the business.

Members are selected without discrimination for gender, race, religion, age, professional skill, or other qualifications.

REMUNERATION MATTERS

Remuneration Policy

As a matter of policy, the remuneration of the directors and other officers must be competitive, at a level that will attract and retain talent, and motivate them to continue their efforts in contributing to the long-term success of PXP.

The compensation is in accordance with the Corporation Code of the Philippines, the Company's by-laws, or as approved by the shareholders.

Director

A director, as determined by the Board, is entitled to receive a reasonable per diem for attending Board meetings.

President

The President is entitled to receive fixed remuneration, in accordance with compensation plans approved by the Board.

Internal Audit

The Internal Audit Group is a separate and independent unit which directly reports to the Audit Committee and is headed by Ms. Geraldine B. Ateo-an.

In accordance with the Company's employment requirements and policies, the Chief Audit Executive functionally reports to the Audit Committee.

The role of the internal auditor is to provide independent, objective assurance and consulting services to the management that will add value and improve the Company's operations. The role also includes ensuring the adequacy of the network of risk management, control, and governance processes.

As provided in the Audit Committee Charter, the Internal Audit Group provides the Audit Committee with an annual report on the internal audit organization's activities, purposes, authorities, responsibilities, and performance relative to the audit plans and strategies approved by the Audit Committee. This annual report shall include significant risk exposures and control issues, corporate governance issues, evaluation of the compliance with the Code of Conduct of the management, and other matters requested by the Committee or the Board.

RISK OVERSIGHT

Risk Management System

An effective management of risk is vital to the continued growth and success of the Group. The Company is committed to managing risk in a proactive and effective manner across the organization. This commitment is embodied in the PXP Group's risk management philosophy statement: "The PXP Group shall undertake a Risk Management Program that will mitigate or eliminate identified physical, socioecological, and economic risks inherent in its business thereby ensuring a productive and profitable operation."

Key Risks and Management

There are risks and uncertainties inherent in the business of petroleum exploration and development. To mitigate these risks, the Group has its own Board Risk and Resource Oversight Committee (BRROC) that reviews the enterprise risk management (ERM) systems of the Group, including its subsidiaries, major associated companies, and joint ventures. This bi-annual review covers all material strategic, financial, operational, and compliance risks and the corresponding mitigation measures to address these risks.

The most recent evaluation of PXP's ERM process, review of the periodic ERM report, and the discussion with the Chief Risk Officer and the external auditor, have assured the BRROC that material risks have been identified, evaluated, managed, and reported appropriately.

The following are the Group's material strategic, financial, operational, and compliance risks and the corresponding mitigation measures to address these risks:

- **Failure to discover oil and gas resources that can be developed for commercial production**

  The Company's ability to sustain itself depends on the discovery of oil and gas resources that can be developed for commercial production. Despite advances in exploration technology, there is no assurance that exploration activities of the Company and the corporations in which it has invested (collectively with the Company, the Group) will result in the discovery of oil or gas deposits because of the uncertainties in locating and estimating the size of subsurface deposits of oil or gas. Even if a substantial oil or gas deposit is discovered, there are other factors that may prevent or delay its commercial development, such as drilling and production hazards; political, social, or environmental issues; and insufficient market demand or infrastructure, particularly for a natural gas development. If the exploration and development activities of the Group are not successful, the Company's ability to generate future cash flow and obtain additional financing to continue operations may be adversely affected.

  The Company mitigates exploration and development risks mainly by investing in a portfolio of exploration assets, working with partners and contractors with proven track records, and undertaking phased exploration with exit options.

- **International maritime issues over the West Philippine Sea**

  The Company operates SC 72 in the Recto Bank Area, offshore west of Palawan, which is subject to international maritime issues pertaining to certain areas of the West Philippine Sea and was placed by the DOE under *force majeure* starting December 2014. Another block affected by the dispute is SC 75 in Northwest Palawan, which was also directed to be under *force majeure* since December 2015. The Permanent Court of Arbitration in The Hague released a ruling on July 12, 2016 on the maritime case filed by the Republic of the Philippines against the People's Republic of China. In particular, the Tribunal ruled that Recto Bank, where SC 72 lies, is within the Philippines' Exclusive Economic Zone (EEZ), as defined under the 1982 United Nations Convention on the Law of the Sea (UNCLOS).

On November 20, 2018, a memorandum of understanding (MOU) on oil and gas development between the Philippines and China was signed between Philippine Department of Foreign Affairs (DFA) Secretary Teodoro Locsin Jr. and Chinese Foreign Minister Wang Yi. This will pave the way for the creation of an inter-governmental Steering Committee that will work out a program of cooperation that could lead to joint exploration, and the creation of one or more inter-entrepreneurial working groups. The Steering Committee will be co-chaired by the Philippine DFA Secretary and the Chinese Foreign Minister, and co-vice chaired by the vice ministries with the participation of relevant agencies of the two governments (the DOE in the case of the Philippines). The Working Groups shall consist of representatives authorized by China and Philippines for the inter-entrepreneurial, technical, and commercial aspects of cooperation on certain areas in the WPS.

In October 2019, the DFA announced that the Philippines and China had officially convened a Steering Committee that will supervise projects under the two countries' joint oil and gas exploration in the WPS. The DFA further announced that the Steering Committee held its first meeting in Beijing on October 28, 2019. China has appointed China National Offshore Oil Corporation (CNOOC) as representative to the working groups. FGL will be the representative to the Working Group that will be created for SC 72. The Steering Committee also agreed to hold the second meeting in the Philippines in early 2020. However, this meeting was deferred due to the COVID-19 pandemic.

On October 14, 2020, FGL received notice from the DOE that the *force majeure* imposed on SC 72 in December 2014 was lifted with immediate effect and that FGL was to resume exploration activities on SC 72. FGL had 20 months from the date of lifting of the *force majeure* to drill two commitment wells. The total cost of drilling these wells depends on several factors. The Company's management estimated the total work to be between US$ 70 million and US$ 100 million. To date, there has been no announcement of any agreement between FGL and CNOOC in relation to SC 72.

Similar with SC 72, a letter from the DOE dated October 14, 2020 stated that the *force majeure* over SC 75 has been lifted effective immediately and that exploration activities were to resume over the block.

On April 6, 2022, the Company, as operator under SC 75, and FGL, as operator under SC 72, received a directive from the DOE to "put on hold any exploration activities for Service Contract Nos. 72 and 75 until such time that the SJPCC has issued the necessary clearance to proceed."

On April 8, 2022, the Company and FGL advised the DOE that in compliance with the DOE directive, they "have suspended (or caused the suspension of) all activities in the West Philippine Sea beginning April 6, 2022, in the process, incurring substantial stand-by and other costs." In the same letter, the Company and FGL advised the DOE further that they were prepared to resume operations immediately provided that they receive written confirmation from the DOE by April 10, 2022 that they can resume their exploration activities.

On April 11, 2022, the Company and FGL advised the DOE that since they did not receive any notice from the DOE to resume their exploration activities, they (a) have stopped all their exploration activities, (b) were constrained to terminate their agreements with suppliers and incurred substantial liabilities for termination costs and penalties, and (c) affirmed their declaration of *force majeure* under SC 72 and SC 75 effective April 6, 2022 arising from what appeared as an indefinite suspension by the DOE of the exploration activities under SC 72 and SC 75.

The uncertainty of how these issues will be resolved may be a source of continuing risk to the operations in offshore Palawan. The Company will take guidance from the Philippine Government in respect of any future activity in SC 72 and SC 75.

- **Failure to fund expenditures and investments for exploration and development activities**
  The exploration and development of oil and gas resources are capital intensive. The Company's ability to fund such expenditures and investments depends on numerous factors, including the ability to generate cash flow from the Group's production, availability and terms of external financing, and the extent to which work commitments can be adjusted under the relevant SCs and similar agreements. If the Group is unable to obtain the required funding, it will have to adjust its business plans and strategies, which may adversely affect the Company's future prospects, market value, and results of operations.

  The Company mitigates the foregoing risks by sharing the costs and risks of exploration and development with suitable joint venture partners and undertaking phased exploration with exit options. Where funding is still insufficient, the Company may adjust its business plans and strategies which may include raising capital depending on the importance of the asset.

- **Price fluctuations and substantial or extended decline in prices**
  Prices for oil and gas have demonstrated significant volatility in the past. Historically, prices of oil and gas are influenced by a number of factors. These factors include global and regional supply and demand, geopolitical uncertainty, domestic and foreign governmental regulations and actions, global and regional economic conditions, weather conditions, and natural disasters. It is not possible to accurately forecast future oil and gas price movements and trends. Declines in crude oil and gas prices will adversely affect the Company's business, prospects, and results of operations.

  The Company mitigates price risks by evaluating the economic sensitivity of investment opportunities to low product prices and taking this into consideration when making investment decisions.

- **Laws, regulations, and contingencies adding to the cost and effort of doing business**
  The petroleum industry is highly regulated. In addition to complying with the laws and regulations for doing business in the Philippines and in the other jurisdictions where the Group operates, the nature of the Group's business also subjects it to laws and regulations regulating the industry, as well as those on environment, occupational health, and safety standards. Despite efforts to comply with all such laws and regulations, the Group's business may be exposed to significant liabilities and restrictions due to accidents and unforeseen circumstances. Furthermore, such laws and regulations are subject to changes which may result in delays or restrictions on exploration, development, or production activities as well as increased cost of compliance. There is no assurance that these costs will not have a material adverse effect on the Company's business and results of operations.

  The foregoing risk is mitigated by the Group's respective policies, which are geared towards compliance with laws and regulations, as well as with good industry practice relating to health, safety, and environment. Some of the risks and potential losses and liabilities arising therefrom may not be covered by insurance. The Company will assess the acceptability of residual risks not covered by insurance policies. If the Company deems that such risks are not within the levels that the Company is willing to accept, the Company may decide to avoid the risk by either terminating or forgoing the activity, project, or investment.
  such risks are not within the levels that the Company is willing to accept, the Company

may decide to avoid the risk by either terminating or forgoing the activity, project, or investment.

- **Estimates used in the business may be unreliable or incorrect**
  This report includes the Company's and third parties' estimates of oil and gas reserves and resources. These estimates may change as additional technical and commercial information becomes available. In addition, such estimates are also subject to the uncertainties inherent in the application of judgmental factors in interpreting such information. The quantities that might actually be recovered — should these be discovered and developed — may differ significantly from the estimates presented herein.

  As of the date of this report, the Company has not independently verified the estimates provided by third parties. Since estimates of reserves and resources change over time, the Company will have to adjust its business plans and strategies. Any significant downward revision in the estimates of reserves and resources may adversely affect its financial condition, future prospects, and market value.

- **Failure to comply with laws, regulations, and contracts**
  If the Company fails to comply with laws, regulations, and contracts, it may lose its contracts, licenses, and approvals from both the Philippines and Peru governments or otherwise be penalized.

  Substantially all of the Company's revenues are or will be derived from SCs or the Peruvian Block, which give the Group and their respective partners exclusive rights to conduct exploration and development operations over certain blocks in the jurisdictions in which they have invested. The Group and its joint venture partners are also expected to secure business licenses and permits in relation to their operations. They may be restricted, suspended, or terminated if the Group, their joint venture partners, or any of their respective contractors and assignees fail to satisfy their respective obligations under the contracts, and the laws, rules, and regulations governing such contracts. The Group, its partners, and contractors may also fail to secure and maintain required licenses and permits. These instances of non-compliance may prevent the Group and their JV partners from conducting further exploration and development activity within the relevant consortium areas, which in turn could materially and adversely affect the Company's business, financial condition, results of operations, and prospects.

  The foregoing risk is mitigated by the Group's respective policies, which include compliance with laws, regulations, and contracts, and licenses and permits required for its business and undertakings. The Group also adopts provisions in its agreements with its joint venture partners to address defaults and non-compliance with laws, regulations, and contracts.

- **Operating risks and natural disasters resulting in losses**
  Exploration and production of oil and gas are subject to various operating risks such as fires, explosions, oil spills, gas leaks, collisions, mechanical failures. Natural disasters are another operating risk for the oil and gas industry, and they may result in injuries, loss of lives, suspension of operations, and damage to property and the environment. As a result, losses and liabilities arising from the occurrence of any of these risks may have a material adverse effect on the Company's business and results of operations.

  The foregoing risk is mitigated by insurance. However, the Company's insurance coverage applies against some, but not all, potential losses and liabilities. The Company will assess the acceptability of residual risks not covered by insurance policies, and if it deems that such risks are not within the levels that it is willing to accept, it may decide to avoid the risk by either terminating or forgoing the activity, project, or investment.

- **Competition in securing exclusive rights may hamper the company's growth and expansion**
  The government has been taking steps to attract investments in the exploration and development of oil and gas in the Philippines, particularly with respect to the application and award of petroleum SCs, which is done either through competitive public bidding or by area nomination. Competitors, particularly international oil and gas companies, may have greater financial, technical, and organizational capabilities than the Company. Significant competitive pressure could result in the failure or increased costs to acquire additional exploration and production assets, thereby causing a material adverse effect on the Company's business and operations.

  The Company mitigates the foregoing risks by partnering with experienced joint venture partners and hiring experienced consultants that will provide the best value proposition to the government in terms of technical, financial, and legal feasibility during the bidding and nomination process for new service contracts.

E.4. People on the Board

CHAIRMAN

The Chairman of the Board ensures that the Board functions effectively. He assists in ensuring compliance with and performance of corporate governance policies and practices. He provides leadership to the Board and ensures that it works effectively and discusses key issues in a timely manner while taking into account proposals and recommendations of the President and management. In addition, the Chairman ensures that an open line of communication and free flow of information between the management and the Board are maintained.

THE PRESIDENT

The President shall be responsible for the general care, management, and administration of the business of the Company. He ensures that the operations and financial affairs are managed in a sound and prudent manner. He also monitors financial and internal controls and ensures that these are adequate and effective enough to secure reliability and integrity of financial and operational information. Further, he oversees the effectiveness and efficiency of operations and safeguards assets in compliance with laws, rules, and regulations.

The President provides leadership to the management in developing and implementing business strategies, policies, processes, and budgets to the extent approved by the Board. He also takes the lead in identifying and managing operational and other business risks.

BOARD DIVERSITY POLICY

The Company embraces and promotes diversity at all levels, including in the Board. The Company recognizes that human capital remains as its most valuable asset and as such, PXP is committed to fostering, cultivating, and preserving a culture of diversity and inclusivity. The collective sum of its diversity – in terms of background, race, ethnicity, religion, gender, life experiences, knowledge, inventiveness, innovation, self-expression, unique capabilities, and talents – represents a significant part of PXP's culture, reputation, and achievements.

The Company's Board Diversity policy is contained in the link:

https://www.pxpenergy.com.ph/corporate-governance/company-policy/board-diversity-policy/

E.5. Board Performance

PERFORMANCE APPRAISAL/ASSESSMENT POLICY

This policy aims to enable the Board to periodically identify overall strengths and specific areas for improvements based on results of assessment. It also aims to obtain important feedback and views from the members of the Board which will collectively form part of Company's overall strategy, performance, and future directions or endeavors.

Directors are annually requested to complete a standard self-assessment as follows:

Performance Evaluation	Self-Assessment	Evaluated by
Board of Directors	/	Individual Director/s
Director	/	Individual Director/s
Board Committees	/	Member of Committee
President	N/A	Individual Director/s

The different forms and criteria are attached as annexes in the policy and can be viewed on the Company website via this link:

http://www.pxpenergy.com.ph/corporate-governance/company-policy/assessment-policy/

DIRECTORS' AND OFFICERS' ORIENTATION AND TRAINING POLICY

As a matter of rule, each member of the Board of Directors shall undertake the requirements set out in this policy with respect to the orientation programs for new directors and the mandatory annual training programs for all the members of the Board of Directors. The mandatory annual training program shall also apply to executive officers with the rank of Vice President and above. The said training program is in compliance with the Philippine SEC Memorandum Circular 20, Series of 2013.

The full text of Directors' and Officers' Orientation and Training Policy can be viewed on the Company website via this link:

http://www.pxpenergy.com.ph/corporate-governance/company-policy/orientation-and-training-policy

TRAINING AND/OR CONTINUING PROGRAM ATTENDED BY EACH DIRECTOR IN 2021

NAME	DATE	SEMINAR/TRAINING TITLE	HOSTED BY
Manuel V. Pangilinan	September 17, 2021	ACGES - Becoming Obsessed with the Customer	PLDT, Philex Mining, PXP Energy, MPIC, Meralco, Maynilad, Voyager, PayMaya, Smart
	November 12, 2021	ACGES - Agile Leadership: A Conversation with Ms. Anna Wintour	PLDT, Philex Mining, PXP Energy, MPIC, Meralco, Maynilad, Voyager, PayMaya, Smart
Eulalio B. Austin Jr.	September 17, 2021	ACGES - Becoming Obsessed with the Customer	PLDT, Philex Mining, PXP Energy, MPIC, Meralco, Maynilad, Voyager, PayMaya, Smart

NAME	DATE	SEMINAR/TRAINING TITLE	HOSTED BY
Eulalio B. Austin Jr.	November 12, 2021	ACGES - Agile Leadership: A Conversation with Ms. Anna Wintour	PLDT, Philex Mining, PXP Energy, MPIC, Meralco, Maynilad, Voyager, PayMaya, Smart
Emerlinda R. Roman	March 12, 2021	Annual Corporate Governance Training	Institute of Corporate Directors - Metrobank
	September 17, 2021	ACGES - Becoming Obssessed with the Customer	PLDT, Philex Mining, PXP Energy, MPIC, Meralco, Maynilad, Voyager, PayMaya, Smart
	November 12, 2021	ACGES - Agile Leadership: A Conversation with Ms. Anna Wintour	PLDT, Philex Mining, PXP Energy, MPIC, Meralco, Maynilad, Voyager, PayMaya, Smart
Benjamin S. Austria	June 18, 2021	Climate Change Action: Blue-Green Infrastructure	Eastern Regional Organization for Planning and Human Settlements (EAROPH Series 3)
	September 8, 2021	Enhancing Response to Current and Future Pandemic through Science, Technology, and Innovation	PhilAAST Regional Symposium (Regions I, II, III and CAR)
	September 11, 2021	Enhancing Response to Current and Future Pandemic through Science, Technology, and Innovation	Philippine Association for the Advancement of Science and Technology
	October 22 to 23, 2021	Celebrating a Decade of Service Excellence: Regaining Professional Leadership in a VUCA World	Philippine Association of Professional Regulatory Board Members, Inc.
	November 4 to 5, 2021	Towards Green, Resilient and Inclusive growth: Building Back Better through Skills Development and Employment	2021 ASEAN +3 HRD Forum
	November 12, 2021	ACGES - Agile Leadership: A Conversation with Ms. Anna Wintour	PLDT, Philex Mining, PXP Energy, MPIC, Meralco, Maynilad, Voyager, PayMaya, Smart
	December 6 to 8, 2021	Virtual GEOSEA XVI- 5 (+1) Years After ASEAN Integration: Milestones, Challenges and Perspectives for Geoscientists	Geological Society of the Philippines-GeoCon 2021
Daniel Stephen P. Carlos	September 17, 2021	ACGES - Becoming Obssessed with the Customer	PLDT, Philex Mining, PXP Energy, MPIC, Meralco, Maynilad, Voyager, PayMaya, Smart

NAME	DATE	SEMINAR/TRAINING TITLE	HOSTED BY
Daniel Stephen P. Carlos	November 12, 2021	ACGES - Agile Leadership: A Conversation with Ms. Anna Wintour	PLDT, Philex Mining, PXP Energy, MPIC, Meralco, Maynilad, Voyager, PayMaya, Smart
	December 6 to 8, 2021	Virtual GEOSEA XVI-5 (+1) Years After ASEAN Integration: Milestones, Challenges and Perspectives for Geoscientists	Geological Society of the Philippines - GeoCon 2021
Marilyn A. Victorio-Aquino	April 2, 2021	Anti Money Laundering	Rural Bankers Research and Development Foundation
	November 12, 2021	ACGES - Agile Leadership: A Conversation with Ms. Anna Wintour	PLDT, Philex Mining, PXP Energy, MPIC, Meralco, Maynilad, Voyager, PayMaya, Smart
Joseph H. P. Ng	January 12, 2021	Asian Outlook 2021	HSBC
	January 14, 2021	Asian Outlook 2021	HSBC
	January 21, 2021	ESG Risk and Opportunities	The HK Institute of Directors
	February 3, 2021	Mandiri Investment Forum	PT Bank Mandiri (Persero) Tbk-HK Branch
	March 5, 2021	Trending Tax Create 2.0	PwC
	March 26, 2021	Create-ing Opportunities	Sycip Law
	April 13, 2021	LIBOR transition: Mastering the Proactive Approach	Bloomberg
	April 14, 2021	What to expect from a Post-Covid World	Natixis
	April 22, 2021	Introduction of Special Purpose Acquisition Companies	HKICPA
	May 24, 2021	Briefing on improved electoral system	The HK Institute of Directors
	June 10, 2021	Climate Change Risks and Disclosures	KPMG
	July 14, 2021	Synergize GBA Forum 2021	EY
	September 17, 2021	ACGES - Becoming Obssessed with the Customer	PLDT, Philex Mining, PXP Energy, MPIC, Meralco, Maynilad, Voyager, PayMaya, Smart

NAME	DATE	SEMINAR/TRAINING TITLE	HOSTED BY
Joseph H. P. Ng	November 12, 2021	ACGES - Agile Leadership: A Conversation with Ms. Anna Wintour	PLDT, Philex Mining, PXP Energy, MPIC, Meralco, Maynilad, Voyager, PayMaya, Smart
	November 30, 2021	HK Green Finance Association Annual Forum	HK Green Finance Association
	December 2, 2021	ESG Credit Indicators	S&P Global Ratings
	December 3, 2021	Exiting the Pandemic Tunnel: More heat than light	Mizuho
	December 8, 2021	Global Economic Outlook 2022	Indofood
Oscar S. Reyes	September 17, 2021	ACGES - Becoming Obssessed with the Customer	PLDT, Philex Mining, PXP Energy, MPIC, Meralco, Maynilad, Voyager, PayMaya, Smart
	October 5, 2021	Advanced Corporate Governance Training	Institute of Corporate Directors - Sun Life of Canada (Phils.) Inc.
	November 12, 2021	ACGES - Agile Leadership: A Conversation with Ms. Anna Wintour	PLDT, Philex Mining, PXP Energy, MPIC, Meralco, Maynilad, Voyager, PayMaya, Smart
	December 14, 2021	Corporate Governance Seminar	ROAM Inc. - Pepsi Cola Products Phils. Inc.
Barbara Anne C. Migallos	September 17, 2021	ACGES - Becoming Obssessed with the Customer	PLDT, Philex Mining, PXP Energy, MPIC, Meralco, Maynilad, Voyager, PayMaya, Smart
	September 29, 2021	Annual Corporate Governance Seminar	NAC Group
	November 12, 2021	ACGES - Agile Leadership: A Conversation with Ms. Anna Wintour	PLDT, Philex Mining, PXP Energy, MPIC, Meralco, Maynilad, Voyager, PayMaya, Smart
Paraluman M. Navarro	September 17, 2021	ACGES - Becoming Obssessed with the Customer	PLDT, Philex Mining, PXP Energy, MPIC, Meralco, Maynilad, Voyager, PayMaya, Smart
	November 12, 2021	ACGES - Agile Leadership: A Conversation with Ms. Anna Wintour	PLDT, Philex Mining, PXP Energy, MPIC, Meralco, Maynilad, Voyager, PayMaya, Smart

CORPORATE STRENGTHS, OBJECTIVES, AND STRATEGIES

PXP aims to become a leading Philippine upstream oil and gas company committed to delivering excellent value to its investors, employees, and other stakeholders by leveraging on its strengths and pursuing these strategies:

STRENGTHS

- The Company and its subsidiaries have substantial participating interests in underexplored areas of proven hydrocarbon basins, namely: SC 72 Recto Bank (70% of which is owned by Forum), SC 75 NW Palawan (50% owned by PXP), SC 74 Linapacan (70% owned by PXP), and SC 40 North Cebu (66.67% owned by Forum).
- The substantial participating interests in these blocks allow access to funding and technology through farm-out arrangements while retaining material interests in the service contract.
- The Company is managed by a team of experienced professionals and business leaders with a diverse range of expertise in upstream oil and gas business development, project finance, project and investment management, and mergers and acquisitions. Its Board of Directors also has extensive corporate governance experience in some of the most valuable companies in the Philippines and in Asia.

- As a company established in the Philippines, PXP is entitled to the Filipino Participation Incentive Allowance (FPIA) in accordance with the country's fiscal terms of petroleum service contracts. The combination of its FPIA entitlement and strong principal shareholders makes the Company an ideal joint venture partner of foreign oil and gas companies interested in local petroleum service contracts.
- Its principal shareholders, Philex Mining Corporation and First Pacific Company Limited, are leading entities in several businesses and industries in the Philippines and in Asia. Philex is a leader in the Philippine mining industry, with continuous operations since 1958. First Pacific is a Hong Kong-based investment management and holding company with existing and planned investments in Asia relating to telecommunications, power distribution and generation, water utilities, infrastructure development, natural resource development, and consumer food products. Through First Pacific, PXP is affiliated with Manila Electric Co. (Meralco), the largest power distribution company in the Philippines. Meralco is determined to expand into power generation, making it a potential off-taker for gas from SC 72.

OBJECTIVES (KEY PERFORMANCE INDICATORS)

- **Enhance the Value of Assets**

  Maturing resources – from exploration to development and production phases – enhances the value of the Company's assets.

- **Manage the Company's Portfolio**

  Selective acquisitions and divestments helps mitigate the risks inherent to petroleum exploration and ensures the alignment of resources with the Company's objectives and strategies.

- **Control Costs and Expenses**

  The optimization of costs and expenses by the Company and its subsidiaries results in improved net income and better financial stability.

- **Manage Financials**

  Prudent and well-implemented financial management prolongs the Company's ability to finance its activities and, thus, its corporate life.

- **Promote Health and Safety and Preserve Environment**

  A commitment to undertake activities without endangering the environment and the health and safety of people is key to maintaining the Company's license to operate.

STRATEGIES

- Establish the hydrocarbon potential of exploration assets, including SC 72 Recto Bank, SC 75 NW Palawan, SC 74 Linapacan, and SC 40 North Cebu.
- Manage exploration risks by developing a diversified asset portfolio through the selective acquisition and divestment of assets based on prudent assessment of risks and upside potential.
- Continuously evaluate the PXP group structure to ensure optimal use and allocation of management, technical, and financial resources.
- Access global technical expertise and technology through partnerships with international oil companies and through the engagement of international contractors and technical consultants.

SUSTAINABILITY

Corporate Social Responsibility

PXP, through its subsidiary Forum Energy Philippines Corporation (Forum) and Joint Venture partners, undertake Community Assistance Programs (CAPs) in our host community in Palawan. Our programs in Palawan are facilitated by NPG Pty Ltd (NPG) as operator of the Service Contract (SC) 14C-1 Galoc block, through the Galoc Field Area and Development (GFAD) Project. The municipalities covered in the CAPs are Culion, Busuanga, and Linapacan. These site-specific municipalities were pre-determined during the environmental impact study on the northern province of Palawan, which is also the location of GFAD.

EDUCATION SUPPORT

PXP is committed in providing (1) scholarship to students residing within the service areas where the company operates, and (2) institutional assistance to state universities/colleges in the amount of US$ 5,000 per year cumulative during the exploration/development phase, and a minimum amount of US$ 10,000 per year cumulative during the production phase.

PXP and its Galoc JV partners also work with local schools within the Palawan area to improve their facilities and enhance the quality of education. Notably, the Galoc JV has donated solar-powered E-TVs to boost the instructional capabilities of teachers, provided financial support to fund teacher training programs, and launched construction projects to build and rehabilitate classrooms. Such initiatives have a wide-reaching impact, given the longevity of usage for the equipment and classrooms, and the effectiveness of trained teaching staff.

In 2019, GFAD Project included the construction of the Laboratory House for Hospitality Management Students of the Western Philippines University in Busuanga. In 2020, two modified buses were procured to serve as school vehicles that will benefit the students in Culion. These vehicles were delivered and received by the Culion LGU in May 2021.

PXP greatly believes that employees are the main asset of the Company and continuous training and development should be implemented. Despite less trainings offered in 2021 due to COVID-19, the Company availed of online seminars for the advancement of expertise of its employees. In December 2021, the technical team attended and made a presentation about the history of petroleum exploration in the Recto Bank Area in the virtual Regional Geosciences Congress of Southeast Asia (GEOSEA XVI) and Geological Conference (GeoCon) 2021 organized by the Geological Society of the Philippines.

HEALTHCARE SUPPORT

Healthcare initiatives have been expanded in recent years from the provision of much needed basic equipment and supplies to a more sustainable focus on training and education of local health workers. The company, through GFAD, also supports the improvement of local health facilities by providing solar electrification and generator sets and various medical equipment/supplies to local clinics and rural health centers. In 2018, Forum provided financial assistance to its Maintenance Supervisor in Cebu, who belongs to an indigent group in the community and was in need of aid for his surgery expenses.

The Company and its Subsidiaries consistently foster a safe working environment. With the emergence of COVID-19, PXP implemented a new work arrangement and additional health and safety protocols in accordance with Inter-Agency Task Force (IATF) Guidelines for the management of Emerging Infectious Diseases. The COVID-19 pandemic had prompted the Company to conduct rapid and RT-PCR tests in June and August 2020, to ensure the safety of its employees and prevent the untoward spreading of the disease in the office premises. In addition, face masks, face shields, and alcohol were supplied to all its employees. Minimum health and safety standards such as social distancing, body temperature reading, and constant handwashing are strictly practiced in the office. Employees reporting on-site are also required to fill out online daily health declaration forms within 30 minutes upon their arrival at the office. The Company also procured vaccines and booster shots for the employees and their extended families.

COMMUNITY INFRASTRUCTURE DEVELOPMENT

PXP supports local development by enhancing public facilities. Aside from supporting schools and hospitals, GFAD has launched construction projects that have built an access road, an eco-tourism information center, and a community library.

Also, a water system project in Busuanga was initiated. The proposal for the project has been reviewed by a third party civil engineer. A Notice to Proceed from the DOE was requested on October 11, 2021 and was granted on November 5, 2021. To date, the Memorandum of Agreement between the Municipality of Busuanga and the proponent NPG is being updated.

LIVELIHOOD SUPPORT

The Company is open to creating livelihood opportunities for locals, be it in the construction projects undertaken in Palawan, or through manpower development programs such as baking classes for women in the community. Short-term employment were also provided to locals during the 2018 geological fieldwork in Palawan and 2020 gravity survey in Cebu.

The COVID-19 situation has intensely impacted the local Tourism Industry causing most of the licensed tour guides in the municipality of Coron to lose their main livelihood. In May 2021, the Company and its Joint Venture partners in SC 74 provided financial assistance to the Coron Licensed Tour Guides Association which initiated a fund raising activity to help their members.

In April 2022, local water taxis in Ulugan Bay, Palawan were hired to provide transportation services to the Customs, Immigration and Quarantine officials and SOS agent who inspected the MV Cassandra VI Geophysical Survey vessel.

ENVIRONMENTAL COMPLIANCE AND RESOURCE MANAGEMENT

PXP continues to strictly abide with environmental laws and policies. The exploration, production, and development activities are being accomplished with minimum or no detrimental impacts to flora and fauna, marine and onshore environment (i.e., soils, surface, ground, and marine waters). Further, PXP promotes environmental awareness to the community prior to and after G&G activities.

The P&A of production wells in SC 14A and SC 14B from 2018 to 2020 were accomplished with no significant impact to the environment and offshore waters. Some of the platforms were stripped of equipment and materials that were transported onshore for later recycling or disposal.

A commitment to undertake activities without endangering the environment and the health and safety of people is key to maintaining the Company's license to operate.

CULTIVATING AMICABLE RELATIONS WITH INDIGENOUS COMMUNITY

Although there are no Indigenous Peoples (IPs) residing within the Company's areas of operation, PXP strives to manage any impacts of the Company's operations on the traditional lifestyle of IPs residing in neighboring islands or adjacent territories through careful planning, consultation management, accommodation and negotiation with the local community and indigenous groups.

The Company, in coordination with the Department of Energy, conducts information, education, and communication (IEC) campaigns prior to fieldwork, including addressing local concerns on health and safety, and providing cultural orientation for employees.

In June 2018, PXP conducted a fieldwork in Coron Island and other islands in the Calamian, which is adjacent and outside the SC 74 block. The goal of the field mapping is to correlate the geology of the offshore SC 74 with the onshore

Calamian Island. PXP properly coordinated with the Tagbanua Tribe prior, during, and after the fieldwork. The field team composed of PXP personnel and graduate students from the University of the Philippines complied with the tribe's directive to ask for permission before acquiring rock samples in the island, which the locals consider as a sacred place. During the fieldwork proper, a Tagbanua representative guided the team through the difficult terrain.

Also, to help preserve the ancestral land, the field team was only allowed to collect as samples rock pieces that have already fallen to the ground.

Any potential community tensions, grievances, and concerns are managed through a transparent formal grievance mechanism. This results in a harmonious relationship between PXP and the local community.

CONTRIBUTION TO THE LOCAL ECONOMY

PXP recognizes the importance of working with people in communities where it operates. Moreover, the Company strives to facilitate close working relationships and achieve the best possible outcomes for those communities and local economies.

The Company contributes to economic growth by paying taxes to local governments and paying rental fees in a timely fashion to local landowners. It also supports community projects that are based on the needs of local communities.

These efforts have modestly contributed in the pursuit of the following United Nations Sustainability Development Goals (UN SDGs):

The Company will continue to report on corporate sustainability to assist financial lenders in their assessments in the future.

SUSTAINABILITY REPORT

CONTEXTUAL INFORMATION

COMPANY DETAILS	
Name of Organization	PXP Energy Corporation
Location of Headquarters	2F Launchpad, Reliance corner Sheridan Streets, Mandaluyong City, Philippines 1550
Location of Operations	Headquarters in the Philippines with Exploration Service Contracts in Northwest Palawan and Cebu, Philippines and Peru.
Report Boundary: Legal entities (e.g. subsidiaries) included in this report	PXP Energy Corporation and its subsidiaries, Forum Energy Limited and Pitkin Petroleum Limited.
Business Model, including Primary Activities, Brands, Products, and Services	PXP is an upstream oil and gas company incorporated in the Philippines to carry on businesses related to any and all kinds of petroleum and petroleum products, mineral oils, and other sources of energy.
Reporting Period	January 1, 2021 to December 31, 2021
Highest Ranking Person responsible for this report	President

MATERIALITY PROCESS[1]

PXP Energy Corporation (PXP or the Company) acknowledges that, with a growing interest from shareholders and other stakeholders in corporate sustainability, it is increasingly important to formally disclose how PXP integrates sustainability into its business practices, decision-making strategy, and culture over time. This report can assist with both informing and reassuring employees, shareholders, investors, regulators, and other stakeholders about the Company's commitment to the environment and the community.

Over the financial year, PXP has engaged with both internal and external stakeholders to gain a better understanding of the information that is most relevant and meaningful to report. This section of the Annual Report now provides greater insight into PXP's risk management and governance practices and the work it does to manage social, environmental, and economic sustainability.

[1] See GRI 102-46 (2016) for more guidance.

PHILOSOPHY AND MANAGEMENT

As part of the oil and gas industry, PXP recognizes the challenges and opportunities facing its business and the importance of operating responsibly. The Company is committed to the health and safety of its employees, contractors, and the local community, as well as the preservation of the environment where it has petroleum operations.

Social, environmental, and economic sustainability are core principles of PXP's business culture and growth strategy. To ensure these principles are embedded in the business, PXP developed a management framework and governance system that both promotes sustainability and provides clear guidelines for decision-making throughout the Company.

The Company's key priorities for corporate sustainability have been identified through the risk management process overseen by the Risk and Governance Committee. Risks are assessed in four (4) core business categories:

- OPERATIONS
- FINANCE
- LEGAL AND COMPLIANCE
- PEOPLE AND CULTURE

The highest priority sustainability risks identified in each category are described below, along with how they have been managed and will continue to be managed in the future.

OPERATIONS

The Company and its subsidiaries adhere to international health and safety standards, promote loss prevention, and uphold preservation of the environment as its core value.

Safety

PXP's approach to health, safety, and environment is proactive, with workforce training at all levels within the organization. Even before the pandemic, the Company ensures that the health and overall well-being of the employees are being prioritized. Additional safety and health protocols were strictly implemented in connection with the emergence of a global pandemic due to COVID-19.

Respect for Communities

PXP recognizes the importance of working with people in communities where it operates to facilitate close working relationships and achieve the best possible outcomes for those communities and local economies.

PXP, together with its subsidiary, Forum Energy Limited (Forum) and Joint Venture (JV) Partners, have undertaken community assistance programs in Palawan, especially in the Calamian Islands, and Cebu, its host provinces. These are mainly education, livelihood, and health projects which aim to help the community.

The Company's community assistance and corporate social responsibility programs are available at the Company's website:

https://www.pxpenergy.com.ph/corporate-governance/corporate-social-responsibility/

Healthcare

Healthcare initiatives have been expanded in recent years from the provision of much needed basic equipment and supplies, to a more sustainable focus on training and education of local health workers.

Environment

A commitment to undertake activities without endangering the environment and the health and safety of people is key to maintaining the Company's license to operate.

FINANCE

Oil and gas exploration is a high cost/reward industry requiring significant liquidity to establish and implement drilling programs and potentially move assets from development to production. Many external factors may influence this, such as volatility in global commercial markets, and the price of crude oil. PXP understands that such volatility requires careful planning to anticipate changes in the commercial environment and flexibility to manage commitments to protect the financial interests of the Company.

The Board of Directors and higher management officials are responsible for establishing and maintaining a business strategy, including risk identification and assessment, which facilitates responsible decision-making. Since incorporation, PXP has adopted a business plan to ensure it operates ethically and responsibly.

Although PXP has no financial lenders at the moment, it has noted that in recent times, financial lenders have become more focused on sustainable best practices as part of their corporate lending criteria. While the Company takes great pride in its commitment to corporate sustainable practices, it acknowledges that this has not been a part of its formal reporting since financial year 2019. The Company will continue to report more fully on corporate sustainability to assist financial lenders in their assessments in the future.

LEGAL AND COMPLIANCE

Key legal and compliance sustainability risks are bribery, corruption, and the potential impacts on PXP's business and the communities and economies in areas where it operates.

The Company has always conducted its business ethically, with zero tolerance for bribery or corruption. PXP recognizes the impacts poor business practices can have, not just on the Company and its shareholders, but also on the local communities and economies where it has petroleum operations.

PXP has always demonstrated its opposition to both bribery and corruption through its conduct and operations, and publicly via its Code of Conduct. To further emphasize its commitment to ethical business operations, Anti-Corruption Programs and Procedures have been established and implemented throughout the Company, as can be found in its website:

https://www.pxpenergy.com.ph/corporate-governance/company-policy/code-of-business-conduct-and-ethics/

PEOPLE AND CULTURE

The key sustainability risk relating to people and culture within the organization is having appropriate governance systems in place to facilitate the embedding of policies and procedures in its business practices.

The success of the Company business relies on it having talented and dedicated employees and contractors by providing them with the environment they need to produce their best work. It recognizes not just the importance of having policies and procedures in place to govern its operations and provide clear direction for employees and contractors, but also the importance of ensuring it develops and nurtures a culture within the Company that embraces those policies and their implementation.

All of the Company's publicly available written policies are updated to ensure they are in accordance with the latest regulations and guidelines, including the PSE Corporate Governance guidelines, appropriately reflecting the business practices and culture of the Company. These policies include the following:

- Code of Business Conduct and Ethics;
- Supplier Contractor Relations;
- Whistle Blowing;
- Diversity;
- Dealings in Company Shares;
- Gifts, Entertainment, and Sponsored Travels;
- Conflict of Interest; and
- Related Party Transactions.

The above policies will be regularly reviewed by the Company to ensure that these represent best industry practice, are compliant with local regulations and guidelines, and demonstrate the Company's commitment to its employees, contractors, local community and environment in which it operates. The Company will also monitor any updates and/or new laws to ensure these are reflected in its business policies. The policies are publicly available and accessible under the Corporate Governance tab on the Company's website at

https://www.pxpenergy.com.ph/corporate-governance/company-policies/

ECONOMIC PERFORMANCE

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

DISCLOSURE	Amount in Thousand	Units
Direct economic value generated (revenue)		
a. Petroleum revenue	64,198	Php
b. Other income	-	Php
Direct economic value distributed:		
a. Operating costs	(40,586)	Php
b. Employee wages and benefits	(16,854)	Php
c. Payments to suppliers, other operating costs	(3,138,460)	Php
d. Dividends given to stockholders and interest payments to loan providers	-	Php
e. Taxes given to government	(10,611)	Php
f. Investments to community (e.g. donations, CSR)	(962)	Php
Economic value retained	**(3,143,275)**	**Php**

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company derives revenue indirectly through its subsidiary Forum Energy Philippines Corporation through SC 14C-1 (Galoc). Crude oil lifted from the Galoc Field were sold to customers from nearby South East and East Asian countries. The Company contributes to economic growth by paying taxes to local governments and supporting community projects that are based on the needs of local communities.	All Stakeholders	The Company ensures that the operations and financial affairs are managed in a sound and prudent manner. In addition, financial and internal controls are in place to ensure reliability and integrity of financial and operational information.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Financial lenders have been more focused on company's implemented sustainability programs as part of their corporate lending requirements.	All Stakeholders	The Company takes great pride in its commitment to corporate sustainable practices thus it will continue to report more fully on corporate sustainability to assist financial lenders, if any, in their assessments in the future.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Oil & Gas revenue contribution to the Philippine Gross Development Product (GDP). Encourage foreign investment that could result to increased revenue and local employment. Search for new venture projects within the Philippines to be explored and developed.	All Stakeholders	Farm out of participating interests in select service contracts to allow qualified foreign companies to invest. Review and evaluation of petroleum blocks for possible participation either through farm-in or application for a new contract. In March 2020, the Company participated in the Philippine Conventional Energy Contracting Program (PCECP) of the Department of Energy (DOE) for new exploration areas.

Climate-related risks and opportunities[2]

GOVERNANCE

Disclose the organization's governance around climate-related risks and opportunities.

The highest level of responsibility for climate change within PXP is delegated by the Board of Directors to the Board Risk and Resource Oversight Committee (BRROC). The BRROC is responsible for a range of risk and governance matters, including identifying material exposures to economic, environmental, and social sustainability risks. This Committee is supported by the Risk Management Team, which involves senior management of the organization.

Recommended Disclosures

A.) Describe the board's oversight of climate-related risks and opportunities

PXP stays true to its Vision and Values through the aligned objectives of its board members in becoming a world-class Philippine energy resource company while showing genuine concern to its communities and environment.

BRROC meetings are conducted at least twice a year to discuss updates of Company assets which includes climate-related concerns.

During these meetings, the committee is informed of salient issues that require board approval. The management assures that the impacts on the environment (i.e., climate change) are carefully considered in the recommendations presented to the board. Updates on policies implemented, actions undertaken, and effects of these decisions are discussed with the board in the succeeding BRROC meeting.

B.) Describe management's role in assessing and managing climate-related risks and opportunities

PXP management bridges its employees and the host communities that are directly exposed to climate-related risks to the board which is the decision-making body of the Company. In more pressing instances, the management is responsible for providing sound decisions and actions toward these risks. Moreover, PXP management oversees all operations and assesses possible environmental impacts of the Company's activities.

In the case of non-operated blocks, the management acquaints PXP board and employees to the activities undertaken by the JV Partners in assessing climate-related risks, if any.

STRATEGY

Disclose the actual and potential impacts[3] of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.

PXP views energy as of vital importance for economic and social development but also acknowledges that an energy transition to low carbon fuels and renewable energy sources is underway to reduce the impacts of climate change. As part of the oil and gas industry, successfully identifying and managing these challenges are necessary for the long-term success and sustainability of the Company's business.

The Company looks to identify opportunities to expand existing programs and develop new activities that aim to increase operational efficiency and/or reduce carbon emissions during the transition planning process when the company will be on the development stage.

Recommended Disclosures

A.) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term

Most of PXP assets are still in the exploration stage thus bulk of the operation is conducted in the head office.

Production of paper wastes is the most common short-term environmental risk the Company is facing. In early 2020, the Company stopped its subscription for printed newspapers. By going electronic, not only is the Company reducing paper wastes but also operational expenses.

PXP has identified natural disasters to be affecting its employees in a short-term period based on the strong typhoons experienced by the country in the past years.

The flaring of natural gases in SC 14C-1 Galoc emits tonnes of Greenhouse Gas (GHG) into the atmosphere thus causing medium-term health hazards to the employees onboard the platform and long-term effect on global warming.

B.) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.

The Company's approach in mitigating climate-related risks initially results to higher capital expenditures because of the acquisition of equipment and appropriate training of employees. On the other hand, a decrease in operational expenditures is expected with the efficient performance of the equipment.

The conduct of company activities is also planned accordingly to lessen climate-related risks (e.g., weather pattern) that will incur additional expenses. An example of which is the temporary postponement of plug and abandonment activities in SC 14 during the typhoon season to minimize risks during operations and downtime due to inclement weather, in year 2020. In the same year, the Land Gravity Survey in SC 40 and geologic fieldwork in SC 74 were also scheduled during the dry season to avoid weather downtime.

C.) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios including a 2°C or lower scenario

Although the Company establishes plans prior to the conduct of different activities, unexpected issues may still arise that will impede the regular flow of work. The employees are well-trained to adapt to these situations and will continue to deliver the output needed by the Company.

The Company's management and staff plan and create scenario analysis prior to implementation of projects. A contingency plan is always included in the programs presented to the board. Usually, an additional 10-15% of the total project budget and total number of working days is allocated as contingent measures.

Acquisition of additional service contracts is also a resilient move of the company to sustain its operation. PXP joined the DOE's PCECP aimed at diversifying its portfolio through the acquisition of new prospective areas for exploration and development.

The Company, being a player in the Energy Sector, is mindful of the increasing global awareness about climate change. Though still far from the Company's immediate plans, a transition to a lower- carbon economy compliant with the 2°C or lower scenario may be considered in the future if an opportunity emerges.

RISK MANAGEMENT

Disclose how the organization identifies, assesses, and manages climate-related risks

Climate-related risks identified will include several measures of consequences relating to environmental, safety, financial, and reputational impact.

The Company aims to minimize and mitigate risks through education, motivation, and involvement of all employees, consultants, and contractors.

Recommended Disclosures

A.) Describe the organization's processes for identifying and assessing climate-related risks

Every last quarter of the year, PXP holds management meetings to discuss the work program and budget (WP&B) plans for the succeeding year. The Exploration program such as Geological and Geophysical (G&G) activities are strategically scheduled all throughout the coming year. Alongside this, PXP identifies possible environmental (including climate-related) risks that may impede the accomplishment of the said activities. Usage of previously collected data such as rainfall quantity, ocean current pattern, and gas emissions helps in forecasting risks that may arise during the implementation of G&G activities. PXP also studies the occurrence probability of these risks and the object which it will directly and indirectly affect. Forward planning and assessment of each stages of the proposed projects are conducted.

B.) Describe the organization's processes for managing climate-related risks

The Company is proactive in ensuring the safety and well-being of the employees, stakeholders and community affiliated with its projects. Part of the strategic planning is the provision for accidental expenses associated with climate-related risks such as typhoon, flood, and drought.

PXP has implemented regular office emergency drills, provided personal protective equipment (PPE) and medical insurance to its employees.

Furthermore, additional insurances for the employee, contractor, and equipment are provided by the Company prior to the execution of exploration activities. In this way, both the Company and end-users are protected.

The Company and its JV Partners are updated with environmental laws governing water, air, and land pollution. Regular quality monitoring of these environmental aspects is implemented in the operational blocks.

C.) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management

PXP management practices a holistic approach in doing the Company's overall risk management. After identification, assessment, and action preparation for the climate-related risks, integration with the other risks are done. A cause-and-effect relationship is established on the risks associated with each other.

Most of the G&G activities undertaken since 2015 (such as geologic fieldworks, seismic surveys, and drilling) are scheduled during the dry season. The chances of suspending the activity due to inclement weather is accounted in the assessment of financial and operational risks.

During the planning stage, additional budget is being allocated to cover for the extension of field days in response to the non-working days associated with the suspension of activity. Moreover, schedule and scope of work of employees left in the office were adjusted to accommodate the length of time the deployed employee was unavailable to perform her usual tasks.

METRICS AND TARGETS

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material

The Company has not set targets for emissions reductions in recent years as most of its major assets are still in the exploration stage while GHG emissions at the office has minimal impact to the environment.

However, for the Galoc Operations, wherein Forum has a participating interest, GHG emission and gas flaring are being monitored and measured.

The Company, once producing will actively engage in direct and indirect monitoring of GHG emissions.

Recommended Disclosures

A.) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process

The Galoc JV had used the Dubai Fateh, recognized worldwide as the benchmark for quality and pricing of the extracted crude oil. This also sets the trend for commercial viability of processing the Galoc crude oil. Since 2018, however, the produced crude were sold using the arithmetic average of Arab Extra Light official selling price (OSP) and Upper Zakum OSP.

The operating blocks are strict in complying with RA 8749 or the Philippine Clean Air Act of 1999 which has the Department of Environment and Natural Resources (DENR) as the lead agency. The quality and quantity of gas emissions during operations are compared to the standard limits set by the DENR.

PXP adheres to the DOE standards concerning regulations in the energy industry. The Company regularly submits quarterly and annual operations reports and results of exploration activities of the Company's operated service contracts. Any plans of the Company are also aligned with the department's mission to be globally-competitive while improving the quality of life of Filipino communities.

B.) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets

The primary target of the Company is to lessen carbon footprint and the negative environmental impact of its exploration activities without compromising the attainment of its objectives.

Recycling has been a regular practice in the office premises. Reusable items such as papers, carton boxes, plastic bags, and plastic/glass bottles are either given new functions or sold that not only aids employees in work but also benefits the Company by lessening operational expenses and providing additional income, respectively.

Conservation of electricity and water is also a constant practice. The Company is contributing less air pollutants with the efficient use of GHG-emitting equipment.

The operators of producing oil fields ensure that its facilities are in best condition so that emissions of hazardous matters are at the minimum or within acceptable limits.

One progress indicator is the performance comparison of the current year with the previous years. Examples of these indicators are measurements of hazardous emissions (kg or tonnes), effluents (m^3), solid wastes (kg or m^3), electricity (kWh), and water consumption (m^3).

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2 *Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers, and asset owners.*

3 *For this disclosure, impact refers to the impact of climate-related issues on the company.*

Procurement Practices

PROPORTION OF SPENDING ON LOCAL SUPPLIERS

PHP12,535,068

Percentage of procurement budget used for significant locations of operations that is spent on local suppliers

In 2021, PXP office had **30 suppliers**, of which **27 were local** (accounting for **76%** of the total suppliers).

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Localizing supply chain represents an opportunity to help reduce emissions and energy usage. Local supplies do not create large carbon footprints through overseas plane travel or long truck trips. This cuts down on fuel consumption and air pollution.	Suppliers	Foreign contractors are only engaged if there are no qualified or capable local suppliers available.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Inability of local suppliers to meet the demand.	Suppliers	Management assesses the availability and competency of local suppliers. Foreign contractors are only engaged if there are no qualified or capable local suppliers available.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
The Company reduces shipping and storage cost while increasing revenue of the local economy by involving local suppliers. This presents opportunity to the Company to be more competitive in terms of providing services to other local oil and gas companies.	Suppliers and other oil and gas companies	The Company's policy on supplier contractor relation is available at the Company's website: https://www.pxpenergy.com.ph/corporate-governance/company-policy/supplier-contractor-relation/ The Company also seeks and maintains mutually beneficial relationships with Suppliers that uphold the Company's principles and core values.

Anti-Corruption

TRAINING ON ANTI-CORRUPTION POLICIES AND PROCEDURES

Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	*100%*
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	*100%*
Percentage of directors and management that have received anti-corruption training	*100%*
Percentage of employees that have received anti-corruption training	*100%*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Supply Chain Department of the Company's affiliate provides support by maintaining guidelines and by issuing necessary notices to Suppliers, including requiring Suppliers to declare their personal relationships (i.e. relatives, former classmates or coworkers, etc.) and/or previous business and official dealings (i.e. former business partner, broker, superior or subordinate) and relationships with any of the Company's Directors, Employees, or Consultants prior to the Supplier's participation in any bid or consideration for any transaction by the Company.	Suppliers, Board of Directors, Employees, and Consultants of PXP	The Company formulated a Code of Business Conduct and Ethics, which upholds professionalism, and ethics in business dealings and transactions. Moreover, the Company has a Vendor Relations Policy, and a Policy on Gifts, Entertainment, and Sponsored Travel that are available on the Company's website through the following links: https://www.pxpenergy.com.ph/corporate-governance/company-policy/policy-on-gifts/ and https://www.pxpenergy.com.ph/corporate-governance/company-policy/supplier-contractor-relation/.

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
The following are examples of procurement situations that reveal unethical conduct by an Employee and/or Supplier. The areas and situations enumerated are illustrative only and not exhaustive. An Employee manipulating his evaluation of the contract proposals in exchange for bribes. A Supplier seeking internal (within the Company) and/or external (i.e. political/government) connections to increase chances of contract award. Suppliers submitting false documents for accreditation and other procurement-related transactions or processes. Employees developing unreasonable or over specific technical requirements such that award of contract intentionally goes to a particular or preferred Supplier. Employees giving priority or informing preferred Suppliers in advance before actual request such that other Suppliers are caught unprepared or with too little time to plan. Products and/or services that have not undergone official procurement procedure since these were tested or evaluated beforehand through product demonstrations with particular Suppliers thus limiting chances for other Suppliers to compete. Undisclosed conflict of interest situations on business dealings resulting to giving undue advantage to another party. Disclosure of confidential and proprietary information by Employees to Suppliers. Incorrect payment of government taxes due to manipulation of documents by Suppliers. Suppliers not remitting the correct SSS, PhilHealth, Pag-Ibig, and other employee contributions to their employees.	Suppliers, and Board of Directors, Employees, and Consultants of PXP	Proper investigation and resolution of each reported event are made by the appropriate business units and the results are forwarded to the Chairman of the Board, the President, or respective executive-level superior, and other relevant groups or bodies, in accordance with the procedure stated in the Whistleblowing Policy. The Board of Directors, Officers, and Executives ensure that any Director, Employee, or Consultant who reports a suspected violation of this policy by fellow Director, Employee, or Consultant is protected from any form of retaliation.

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
A sound Supply Chain management provides opportunities for vendor interaction to further improve products and services and negotiates for more competitive prices through open bidding.	Employees, Consultants, and vendors of PXP	PXP upholds the highest professional standards of business practices, core values, and ethics as enshrined in its Code of Business Conduct and Ethics in its business dealings with its Suppliers in the procurement of products and services.

INCIDENTS OF CORRUPTION

Number of incidents in which directors were removed or disciplined for corruption	**NONE**
Number of incidents in which employees were dismissed or disciplined for corruption	**NONE**
Number of incidents when contracts with business partners were terminated due to incidents of corruption	**NONE**

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Avoid activities and interests that could significantly affect the objective or effective performance of duties and responsibilities in the Company, including business interests or unauthorized employment outside the Company, receiving and/or giving of gifts to persons or entities with whom the Company relates, as well as insider dealing.	Board of Directors, Officers, Employees, and Vendors	The Company has clear rules on anti-bribery and corruption and these are included in the Code of Conduct for all employees. There is no place for bribery or corruption at PXP. Read more about the Company's values at https://www.pxpenergy.com.ph/corporate-governance/company-policy/code-of-business-conduct-and-ethics/
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Though the Company has no recorded incidents, risks of corruption are always present within the business environment.	Board of Directors, Officers, Employees, and Vendors	To mitigate this risk, the Company has clear rules on anti-bribery and corruption and these are included in the Code of Conduct for all employees. There is no place for bribery or corruption at PXP. Read more about the Company's values at https://www.pxpenergy.com.ph/corporate-governance/company-policy/code-of-business-conduct-and-ethics/ After conducting proper investigation of an incident, PXP shall enforce disciplinary actions against violators, which may include measures such as suspension, dismissal, and/or filing of appropriate civil and/or criminal actions.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Procurement should be done through open competitive bidding, except on unavoidable circumstances. Seek ways for further employee development such as seminars against corruption.	Board of Directors, Officers, Employees, and Vendors	Communicate the PXP business policies regularly to stakeholders.

ENVIRONMENT

Resource Management

ENERGY CONSUMPTION WITHIN THE ORGANIZATION

0 GJ	0 GJ	0 GJ	200,300* liters	1782** kWh/yr	47.50* mmscf
Renewable Resources	Gasoline	LPG	Diesel	Electricity	Natural Gas

* *Data are from SC 14C-1 (Galoc) Floating Production Storage and Offloading (FPSO) Vessel for the year 2021 as provided by the Operator, NPG Pty Ltd. PXP Energy produces oil through its subsidiary, Forum Energy Philippines Corporation which has a 3.2103% stake in SC 14C-1.*

** *Electricity consumption at PXP headquarters.*

REDUCTION OF ENERGY CONSUMPTION

MINIMAL GJ	NOT APPLICABLE GJ	MINIMAL GJ	MINIMAL kWh
Gasoline	LPG	Diesel	Electricity

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
In the office, continuous reduction of energy consumption is being done through implementation of energy conservation measures.	Employees	The Company has been implementing cost-cutting measures since 2015 resulting to the proper monitoring of and reduction in general & administrative expenses.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Inefficient use of office equipment resulting to higher energy consumption.	Employees	Continuous monitoring and constant reminder to company employees of efficient use of office equipment. Orient maintenance staff on the schedule of switching on and off of lights, aircon, workstations, and other electrical equipment, specifically during the work-from-home set up, wherein employees are accessing their workstations remotely.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
The Company to assess the impact of implementing an option to work from home to decrease operational costs and increase employees' productivity by minimizing travel time.	Board of Directors, Officers, Employees, and Vendors	With the emergence of COVID-19, the Company implemented a work-from-home scheme wherein employees are only required to report onsite from two (2) to three (3) business days in a week. Inter-Agency Task Force (IATF) guidelines were followed such as allowing a maximum of 50% operational capacity inside the office. These new working arrangements resulted to a decline in electricity consumption.

WATER CONSUMPTION WITHIN THE ORGANIZATION

Water withdrawal	Water consumption	Water recycled and reused
0 cubic meters per year	48* cubic meters per year	0 cubic meters per year

* *Water consumption at PXP headquarters in 2021. Water use pertains only to pantry and toilets.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
At the office, PXP prioritizes water management, in response to the national water scarcity experienced back in year 2019. At the FPSO, continuous application of reverse osmosis in seawater desalination is being done to produce clean water that can be used for drinking, bathing, food preparation, and other general purposes.	Community, Employees, and Marine Crew at the FPSO	The Company educates its employees on the efficient use of water. Since 2012, the FPSO has been reprocessing seawater to produce clean, safe, and fresh water to be self-sufficient, instead of relying on water tank refilling by supply vessels, which will entail additional logistical processes.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Within the office premises, some personnel are unaware that they irresponsibly use water facilities resulting to higher consumption.	Employees	The Company instills water conservation practices to employees. Management lowered the water pressure in the comfort rooms, to control water flow and avoid spillage. Also, management ensures that there are no faucet and toilet leaks to avoid water wastage by conducting regular inspection every month and replacing damaged parts immediately.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Efficient water consumption leads to financial savings, which can be appropriated by the Company for other purposes. Additionally, water conservation helps the community as a whole in prolonging the water supply especially during dry seasons from March to May wherein the water in reservoirs falls below normal level.	Employees and Building Management	The Company emphasizes to employees to use water responsibly. The work-from-home scheme also resulted to a decline in water consumption in the office as the days spent by the employees onsite were also reduced in 2021.

MATERIALS USED BY THE ORGANIZATION

Materials used by weight or volume

	RENEWABLE		NON-RENEWABLE			
	WATER	WOOD/PAPER	METALS	PLASTICS	DIESEL	NATURAL GAS
Value	5,060,215.32*	27.50*	42*	120*	200,300*	47.50*
Unit	cubic meter per year	cubic meter per year	cubic meter per year	cubic meter per year	liters per year	million standard cubic feet per year

0% Recycled input materials used to manufacture the organization's primary products and services

* *Data from SC 14C-1 Galoc for the year 2021. The volume of water only includes produced formation water, wash water, cooling water for the engine room, and cooling water for the process area. This does not include the potable water produced during osmosis.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Platforms built on top of the seabed are made up of non-renewable metals such as steel alloyed with other elements like nickel, iron, chromium, carbon, and molybdenum which are also non-renewable. In offshore operations, water produced from the target formation during production is either recycled for platform/vessel/engine use, stored in stock tanks or discharged back to the sea. Plastics are non-renewable materials that use oil/fossil fuel as raw materials. The Company, through the Galoc operations, produce tonnes of plastic, wood, and paper wastes annually.	Employees onboard the platform/ FPSO, Nearby Community, and Environment	Although platforms are built far from the community, a portion or all of these structures are permanently left offshore. The DOE may opt to take over these structures after cessation of all petroleum-related activities of the Company, as what happened in SC 14 in 2020 when the DOE donated the Nido and Matinloc platforms to the Armed Forces of the Philippines to be used for national defense purposes. The decommissioned platforms were first stripped of equipment and materials which were sold to third party contractors through bidding. Platforms are furnished with equipment that can process formational water from the subsurface. Recycling and waste segregation are implemented in the Company premises and Galoc platform and FPSO. Papers, carton boxes, plastic bags, and plastic bottles in the office are given new functions or sold, while in offshore operations, these are properly collected and disposed on the shore as per MARPOL guidelines.

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Possible improper maintenance of the platform may lead to fast deterioration of metals that may result to injuries or accidents. Deteriorated metals may also pose health and environmental risks to the marine flora and fauna where the platform was constructed. Accidental discharge of oil/diesel-contaminated water into the sea may cause life and health hazards to the marine ecosystem and nearby community that depends their livelihood in fishing. Improper waste disposal of used plastic and paper materials may result to pollution of the sea.	Employees onboard the platform/ FPSO, Nearby Community, and Environment	PXP, through its JV partners, assisted the DND-AFP by providing training on proper care and maintenance procedures. The platforms were also refurbished prior to the turnover. Inspection, care, and maintenance of water-processing equipment are regularly implemented to ensure their efficiency and to avoid untoward accidents. Oil content of overboard and subsea water discharges are strictly monitored per MARPOL guidelines. The management encourage employees to practice recycling and proper waste management. Tree planting activities were also conducted in lieu of the wood-based materials exhausted by the Company and as part of its obligation (ECC) to the government.

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
The platforms act as artificial reefs for the aquatic organisms that had attached to the steels in the subsurface. The abundant marine resources can be of use to the community and current owners of the platforms. With the full support provided to DND-AFP, PXP and its JV partners may still request to use the platforms in case a need arises. Clean water discharge will not harm the marine ecosystem that had thrived in the subsea structures. Penalties and fines will be avoided if water discharge is not contaminated with oil/diesel. Recycling benefits the Company by lessening operational expenses and providing additional income.	Employees onboard the platform/ FPSO, Nearby Community, Environment, and Management	Technical support from the company and JV partners was provided during the turnover of the Nido and Matinloc platforms. In the Galoc Block, the Consortium guarantees that it complies with the environmental laws governing water/ sea. Used plastic and paper wastes are sold by the Company. Some were repurposed to a new item and were used by employees. Since the lockdown in March 2020, the Company ended its newspaper-print subscription and opted to access newspapers online, which somehow decreased cost incurred by the Company and reduced its environmental impact.

ECOSYSTEMS AND BIODIVERSITY (WHETHER IN UPLAND/WATERSHED OR COASTAL/MARINE)

	Hectare/s
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	***NONE***
Habitats protected or restored	***NONE***
IUCN[4] Red List species and national conservation list species with habitats in areas affected by operations	***NONE***

4 *International Union for Conservation of Nature*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company faithfully ensures strict compliance with environmental laws and policies by securing required permits from the DOE, DENR, and Mines and Geosciences Bureau (MGB). Further, PXP promotes environmental awareness to the community prior to and after G&G activities.	Employees and Communities adjacent or within the SCs	PXP and its subsidiary Forum have acquired Certificates of Non Coverage (CNC) and Environmental Compliance Certificates (ECC) from the Environmental Management Bureau (EMB) of the DENR to cover all its exploration activities, as summarized below. 1. SC 14C-1 – An ECC was issued on August 30, 2006 to cover the Galoc Field development. 2. SC 72 – A CNC was issued on December 22, 2010 for the 2D and 3D seismic surveys conducted in the Recto Bank. Another CNC was issued on May 23, 2012 to cover all exploration and appraisal activities, which includes the drilling of exploration wells. 3. SC 40 – An ECC was issued on February 19, 2010 for the extraction of natural gas in Barangay Libertad, Bogo City, Cebu. CNCs were issued in 2009 and 2012 for the land gravity surveys. 4. SC 75 – On February 28, 2014, a CNC was issued to PXP to cover all exploration activities. 5. SC 74 - On March 22, 2016, a CNC was issued to cover all exploration activities. 6. SC 74 – In June 2018, a permit to transport rock samples from the fieldwork in the Calamian Islands to Manila was requested from the MGB-MIMAROPA, in accordance with the DENR Administrative Order 2010-21, the IRR of RA 7942 otherwise known as the Philippine Mining Act of 1995. Conducted Information, Education, and Communication (IEC) campaign in the communities prior to the exploration activities.

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
For the fieldworks, marine and land seismic and gravity surveys, drilling and production activities, the risk include the disturbance of local ecosystem in the area (i.e. cutting of trees, oil spill, improper disposal of large volumes of saline water, and gas flaring).	Employees, Marine Crew onboard the Seismic Vessel or FPSO, and Local Communities adjacent or within the SCs	The Company, its Subsidiaries, and JV partners continue to strictly abide with Environmental laws and policies. The exploration, production and development activities are being accomplished with minimum or no detrimental impacts to flora and fauna, marine and onshore environment, soils, surface, ground, and marine waters. Daily Health, Safety, Security and Environment (HSSE) meetings are being conducted during onshore and offshore operations. The Company conducts Bathymetric Surveys to determine the shallow water areas or pinnacles to be avoided during seismic surveys. During the seismic surveys in SC 75 and SC 74 in 2014 and 2016, respectively, Marine Mammal Observers (MMOs) were assigned onboard the seismic ships to monitor the surveys' effect on sensitive wildlife species such as dolphins, turtles, and whales; and to ensure that the Company adheres to the environmental guidelines set by the Philippine government. In 2017, the SC 40 Libertad Field L95-1 well was safely and properly plugged and abandoned. The installed production and office facilities were removed and the project site was restored to its original state. The P&A of production wells in SC 14A and SC 14B from 2018 to 2020 were accomplished with no significant impact to the environment and offshore waters. Some of the platforms were stripped of equipment and materials that were transported onshore for later recycling or disposal. With regard to the SC 14C-1 Galoc field operations, Oil Spill Contingency Plans are in place in case of any untoward incidents. Produced water and petroleum wastes are being monitored in compliance with the standard acceptable amount defined by the DENR. Used diesel is being monitored to ensure that there is no spillage.

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Decrease of negative environmental impact while minimizing incurred operational cost by partnering with other companies that provide exploration services within adjacent areas. In the office, decrease environment impact and CO_2 imprint by going paperless/electronic. In offshore operations, JV partners devise ways to repurpose old platforms (i.e. defense outpost of the government) instead of building or manufacturing a new one.	Local communities adjacent or within the SCs, Employees, and Third Party Contractors	In 2016, the Company participated in the Multi-Client Seismic Survey of CGG, which acquired seismic data over the SC 74 in coordination with other Service Contractors. This eliminated the need to conduct a separate survey for the Company, thus saving on operational expenses and disturbance to the environment. During the 2020 gravity survey in SC 40 northern Cebu, Forum inspected the Maya storage site where Radioactive Materials were stored before transport to the Philippine Nuclear Research Institute (PNRI), for proper disposal. The Maya area will be restored to its original state by disposing the old pipes and other equipment used from previous drilling operations. The rehabilitation will start upon acquisition of a certificate stating that the site is cleared from any radioactive materials and once travel restrictions related to the pandemic have been eased. As much as possible, PXP is implementing paperless transactions. The SC 14 JV turned over the Nido and Matinloc platforms to the DOE last December 2019 so that these can be used by the DND-AFP for national defense, instead of creating a new outpost.

Environmental Impact Management

AIR EMISSIONS

GHG

	TONNES/YEAR
Direct (Scope 1) GHG Emissions (CO_2, CH_4, N_2O, and Fluorinated Gases)	260,571.62*
Energy indirect (Scope 2) GHG Emissions	NONE*
Emissions of ozone-depleting substances (ODS) [CO, NO_x, and non-methane VOCs (i.e. ethane, propane, butane)]	920.55*

** The Company produces oil through its subsidiary Forum through its 3.2103% stake in SC 14C-1 Galoc. Data is from the Floating Production Storage and Offloading (FPSO) Vessel gas flaring and fuel combustion for the year 2021.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
At the office, usage of air conditioning (AC) systems that release chlorofluorocarbons (CFCs) and hydrochlorofluorocarbons (HFCs) which are GHGs that trap heat and cause depletion of the ozone layer. Natural gases (i.e. methane (CH_4), ethane, propane, butane, and other heavier components), which are GHG and VOCs, produced in the Galoc field are flared out as these are not economical to be developed and also pose safety and health hazards (i.e. major blowout accident leading to destruction and fatality) if not managed properly. Flaring natural gases results to by-products or GHGs such as CO, CO_2, VOCs, NO_x, SO_x, and other air pollutants.	Employees of PXP and onboard the platform, FPSO, and nearby communities	The Company regulates its AC systems to lessen its power consumption. Out of sixteen (16) AC systems pre-installed in the office, only four (4) are in operation during work hours (8:00-17:00). The operating ACs were further reduced from seven (in 2019) to four due to the decreased workforce in the office associated with the implementation of a work-from-home scheme since March 2020. These units are those near work desks occupied by the Company's employees and consultants. As an alternative, Management opts to utilize or purchase AC systems with HFCs refrigerants instead of CFCs, since the former have lesser detrimental effects to the environment.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Emission of GHG into the environment. HFCs represent only a small portion of the total GHG emissions. However, they trap heat in the atmosphere as much as CO_2. Although flaring/burning of natural gases emits a number of pollutants in the environment, it is less hazardous as compared to venting which is directly releasing natural gases into the atmosphere. Large amounts of released natural gases/GHGs may cause health hazards to the platform's crew and contribute to ozone destruction and global warming.	Employees of PXP and onboard the platform, FPSO, and nearby communities	Together with the reduced usage of AC units in the office, routine check and maintenance are also being implemented to ensure efficiency of the AC systems. To prevent major blowout accidents, flaring is favored by the management than venting off natural gases.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
In the office, decrease environment impact and CO_2 footprint by going electronic. Less electricity consumption brought about by the minimal use of AC units and the cost-effective performance resulting from the regular maintenance will lead to savings that can be allocated to other company expenses.	Employees	The Company is practicing energy conservation measures. PXP is implementing paperless approach to certain transactions to minimize paper consumption and CO_2 emission during printing and photocopying. In November to December 2021, the Company's newly hired employee availed of the free shuttle service being offered by an affiliate company of PXP.

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
		In 2020, the Company provided a shuttle service that catered to employees during the first few weeks of the General Community Quarantine in Metro Manila. This somehow limited the number of vehicles that emitted GHGs, such as carbon dioxide, to the environment. Although the abovementioned energy conservation measures can be considered basic with minimal effect to the environment, PXP believes that this effort will still be beneficial to the community and environment in the long run.

AIR POLLUTANTS

NO_x	SO_x	PERSISTENT ORGANIC POLLUTANTS (POPs)	VOLATILE ORGANIC COMPOUNDS (VOCs)	HAZARDOUS AIR POLLUTANTS (HAPs)	PARTICULATE MATTER (PM)
116.97* tonnes per year	0.011* tonnes per year	0* tonnes per year	184.55* tonnes per year	0* tonnes per year	0.328* tonnes per year

Data is from SC 14C-1 FPSO gas flaring and fuel combustion for the year 2021. No measured/reported POPs and HAPs in SC 14C-1.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
NO_x, SO_x, VOCs, and PMs are products of fuel combustion and ship emissions. These are released into the atmosphere and affect the ozone layer and contribute to global warming. In SC 14C-1, flaring of natural gases (i.e. methane (CH_4), ethane, propane, butane and other heavier petroleum components) results to by-products or air pollutants such NO_x, SO_x, VOCs, and PM. Ethane and propane are the most abundant non-methane hydrocarbon compounds found in natural gas.	Employees onboard the platform, FPSO, and nearby communities	In SC 14C-1 operations offshore, International Convention for the Prevention of Pollution from Ships (MARPOL) guidelines are strictly enforced.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Abundant NO_x and SO_x released into the environment from ship emission/fossil fuel combustion causes acid deposition. These gaseous pollutants are the major components of acid rain and smog apart from its contribution to greenhouse effect and global warming. Although flaring/burning of gases emits certain pollutants in the environment, it is less hazardous as compared to venting which is directly releasing natural gases into the atmosphere. Large amounts of released natural gases may cause health hazards to the platform crew.	Employees onboard the platform, FPSO, and nearby communities	Strict implementation of the MARPOL guidelines to decrease ship emissions. FPSO/Ship engines are also properly maintained to avoid machine failures that could increase the ship's intake of fossil fuel which in turn leads to an increase in combusted fuel. The management opted to do gas flaring rather than venting to minimize health hazards and accidents.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Strict compliance with the laws governing air and seas/ water will enable the Company and Galoc JV to operate without interruption. Fines and penalties will also be avoided. A healthier and more conducive environment for the employees onboard the platform and FPSO.	Employees onboard the platform, FPSO, and nearby communities	Strict compliance with the International Convention for the Prevention of Pollution from Ships (MARPOL) guidelines.

SOLID AND HAZARDOUS WASTES

SOLID WASTE

Total waste generated

REUSABLE
0 kg per year

RECYCLABLE TOTAL FOR CY 2021
298,520 kg per year

- PXP OFFICE: 20 kg per year
- SC 14C-1 OPERATIONS (MARPOL GUIDELINES): 298,500 kg per year

COMPOSTED
0 kg per year

INCINERATED
0 kg per year

RESIDUALS/ LANDFILLED
0 kg per year

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Proper solid waste disposal regulations prevent contamination to the environment (i.e., air, soil, and water) that could pose health risks to the community, and cause harmful effects to the ecosystem such as mutation and extinction.	Employees and adjacent Community	The Company, together with its subsidiaries and JV Partners, are in strict compliance with the proper solid waste disposal regulations. In addition, proper waste management is implemented in the head office. Biodegradable food wastes are being segregated from non-biodegradables and recyclables. The backs of collected scratch papers are being re-used. Recyclable materials such as cartons, and bottles are collected then sold as scrap materials. Although the abovementioned waste management can be considered basic with minimal effect to the environment, PXP believes that this effort will still be beneficial to the community and environment in the long run. In SC 14C-1 operations offshore, International Convention for the Prevention of Pollution from Ships (MARPOL) guidelines are strictly enforced.

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Improper waste management poses adverse effects in the environment with health implications to the community.	Employees and adjacent Community	The Company maintains and improves solid waste management policies of its subsidiaries and JV Partners, which are adherent to international health, safety, and environment standards.

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
In the office, decrease environment impact and CO_2 imprint by minimizing paper printouts and going electronic. Also, decrease the usage of one-time use plastics. Business transactions, both internal and external, were done via online/ electronic.	Employees and Building Management	As much as possible, PXP is implementing paperless transactions to minimize CO_2 emission during printing and photocopying. The Company is more conscious in doing business through online transactions. Internal memorandums and announcements are circulated through email blasts. Submission of necessary permits, reports, disclosures, and other documents are made through online portals hosted by the government and other participating agencies. These resulted to less use of papers and other office supplies. PXP employees are encouraged to bring their own reusable containers for food to minimize paper and plastic wastes.

HAZARDOUS WASTE

Total weight of hazardous waste generated in Year 2021	Total weight of hazardous waste transported and disposed in Year 2021
SC 14C-1 **45,562.76** **tonnes** per year	SC 14C-1 **29.62638** **tonnes** per year

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company, together with its subsidiaries and JV Partners, is in strict compliance with the proper hazardous waste disposal regulations to prevent contamination of the environment (i.e. air, soil, and water), that could pose health risks to the community, and cause harmful effects to the ecosystem (i.e. mutation and extinction). For the SC 40, ensure and maintain proper storage of Radioactive Materials (RAM).	Employees and adjacent Community	In SC 14C-1 and other operations offshore, International Convention for the Prevention of Pollution from Ships (MARPOL) guidelines are strictly enforced. In 2020, the Company hired a Radiation Safety Officer (RSO) in charge of renewing the Company's Radioactive Materials License as well as monitoring radioactivity under SC 40.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Improper storage, handling, and disposal of hazardous wastes have adverse effects to the public health, safety, and environment. Leakage from the stored radioactive materials in SC 40 can affect people living nearest the area. Radioactive leaks, by nature, are not simple to clean up and contain.	Personnel in charge of security and maintenance at the storage site and Adjacent Community	Maintain and improve hazardous waste management policies of the Company, subsidiaries and JV Partners, in concurrence with international health, safety and environment standards. The radioactive materials are sealed within their original container and placed inside a wooden crate. The crate is stored inside a padlocked container van. The company hired a RSO to regularly conduct swipe tests and ensure that radioactivity is within safe limits. There is also a security guard assigned to prevent trespassing and theft of any of the equipment in the SC 40 Maya storage site.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
At the office, policies on the disposal of hazardous wastes like batteries, which contain lead, used containers with toxic substances, and expired medicines are prepared and implemented. In SC 40, it was deemed necessary to dispose of the RAM because indefinite storage is not advisable. Accidental leakage of the RAM is being prevented to ensure safety of people living within the areas nearest the storage site.	Employees and Community nearest the Maya storage site, where the RAM are located.	At the office, additional guidelines on proper hazardous waste disposal should be formulated and applied. The PNRI was contacted by the RSO for advice on proper disposal of the RAM. PNRI has the facilities for radioactive waste management, thus, it was decided to transport the RAM from the SC 40 Maya site in Cebu City to PNRI's facility in Quezon City. The transport of RAM was done in early 2020 using a third party contractor and following PNRI's guidelines. No untoward incidents occurred during this activity and the RAM was turned over to the PNRI for proper waste management. Following the disposal of the RAM, Forum has requested for the termination of its license to possess such radioactive materials.

EFFLUENTS

TOTAL VOLUME OF WATER DISCHARGES

5,060,215.32*
cubic meters
per year

PERCENT OF WASTEWATER RECYCLED

0
percent
per year

* *Data is from the SC 14 C-1 Galoc FPSO for the year 2021.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Offshore International and National Guidelines for Wastewater Discharges to the surface and bottom of the sea should be followed, as to control pollution and to have minimal impact to the marine environment and ecosystem. Maximum defined contamination levels should be followed.	Marine crew at the FPSO, Fishermen, and Community	In offshore petroleum operations of the Company, subsidiaries, and JV partners, the International Convention for the Prevention of Pollution from Ships (MARPOL) guidelines are and will be strictly enforced.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
The effluents with oil and other toxic waste contents exceeding the acceptable amount set by the MARPOL guidelines will contaminate the sea and sea bottom. This will cause damage to marine flora and fauna and can possibly cause related health implications to the community.	Marine crew at the FPSO, Fishermen, and Community	Strict implementation of safety and environmental standards of the JV consortium. In case of untoward incidents, mitigation procedures are in place. At the FPSO vessel and platforms, produced water is analyzed and discharged overboard if it has less than 15 ppm of oil content. If the produced water exceeds the 15 ppm allowable limit, procedures under the Oil Spill Contingency Plan are carried out to treat the water before disposal.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Some produced formation water or effluent is being reprocessed and used onboard.	Marine crew at the FPSO, Fishermen, and Community	Reprocessed or treated water discharges onboard by Galoc consortium can be utilized for other general purposes in the vessel or platform.

ENVIRONMENTAL COMPLIANCE

NON-COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS

Total amount of monetary fines for non-compliance with environmental laws and/or regulations	***PhP 0.00***
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	***0***
No. of cases resolved through dispute resolution mechanism	***0***

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
As mentioned in the Ecosystems Section, PXP is actively complying with Environmental Laws and Policies.	Employees and Community adjacent or within the SCs	PXP and its subsidiary Forum have acquired CNC and ECC from EMB-DENR to cover all its exploration activities, as summarized below. 1. SC 14C-1 – An ECC was issued on August 30, 2006 to cover the Galoc Field development. 2. SC 72 – A CNC was issued on December 22, 2010 for the 2D and 3D seismic surveys conducted in the Recto Bank. Another one was issued on May 23, 2012 to cover all exploration activities, which includes the drilling of exploration wells. 3. SC 40 – An ECC was issued on February 19, 2010 for the extraction of natural gas in Barangay Libertad, Bogo City, Cebu. For the land gravity surveys, CNCs were issued in 2009 and 2012. 4. SC 75 – On February 28, 2014, a CNC was issued to PXP to cover all exploration activities. 5. SC 74 - On March 22, 2016, a CNC was issued to cover all exploration activities. 6. SC 74 – In June 2018, a permit to transport rock samples from the fieldwork in the Calamian Islands to Manila was requested from the MGB-MIMAROPA, in accordance with the DENR Administrative Order 2010-21, the IRR of RA 7942 known as the Philippine Mining Act of 1995. Conducted IEC campaigns to the communities prior to the exploration activities.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Non-compliance with environmental laws and regulations might lead to imposition of penalties and fines, or to the cancellation of the SC.	Employees and Company	PXP and subsidiaries strictly adhere to environmental laws and regulations.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
PXP consistently maintains an environmentally, ergonomically, and legally compliant operations	Employees and Community	The Company continues adherence to environmental laws and regulations.

SOCIAL

Employee Management

EMPLOYEE HIRING AND BENEFITS

EMPLOYEE DATA

TOTAL NUMBER OF EMPLOYEES[5]	ATTRITION RATE[6]	RATIO OF LOWEST PAID EMPLOYEE AGAINST MINIMUM WAGE[7]
7 FEMALE EMPLOYEES 2 MALE EMPLOYEES	1%	0

5 Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary). Figures do not include the employees of SC operators in which PXP and Forum are members.

6 Attrition are = (np. of new hires - no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year).

7 All employees of PXP are paid above the minimum wage rates.

EMPLOYEE BENEFITS

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	11%	-
PHILHEALTH	Y	-	-
PAG-IBIG	Y	22%	-
PARENTAL LEAVES	Y	-	-
VACATION LEAVES	Y	100%	100%
SICK LEAVES	Y	100%	100%
MEDICAL BENEFITS (aisde from PhilHealth)	Y	100%	100%
HOUSING ASSISTANCE (aside from Pag-IBIG)	N	-	-
RETIREMENT FUND (aside from SSS)	N	-	-
FURTHER EDUCATION SUPPORT	N	-	-
COMPANY STOCK OPTIONS	N	-	-
TELECOMMUTING	Y	100%	100%
FLEXIBLE-WORKING HOURS	Y	100%	100%
(OTHERS)		-	-

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Provides assistance in facilitating and processing of the applications. The Company ensures regular and timely remittance of the employee's monthly premiums. PXP provides assistance to employees in facilitating and processing of the applications when availing other SSS and Pag-Ibig benefits.	The Company considers its people its greatest asset. Employees are provided with benefit packages (i.e. Maternity Benefit, Sickness Benefit, Salary Loans, and Calamity Fund) along with a wide range of learning and professional development opportunities to help them achieve their full potential. Benefits provided for the employees are as follows: • Base Salary; • Medical Coverage for Employees and their spouses/children; • Free COVID-19 vaccine for Employees; • Employees' Annual Medical Check-Ups; • Life and Accident Insurance; • Continuing Education; • Annual Vacation Leave – 15 days; and • Annual Sick Leave – 15 days. Historically, PXP follows the standard "five-days-work and two-days-off pattern" and eight-hour working day. However, in adherence with the IATF guidelines, from March to May 2020, work-from-home policy was implemented during the Enhanced Community Quarantine and in 2021 reporting onsite was resumed and reduced to 2 to 3 days per week to limit exposure from the coronavirus disease The Company also promotes work-life balance and the welfare of the employees. PXP advocates the rights of female workers in the office without bias and discrimination. In years 2016 and 2019, SSS Maternity Leave benefit was availed by a female employee in accordance with RA 11210. In 2017, another female employee availed special leave with full pay after undergoing gynecological surgery, which is in compliance with the Magna Carta of Women (RA 9710). Additionally, the Company adheres to the Solo- Parent Welfare Act of 2000 (RA 8972) and the Magna Carta for Disabled Persons (RA 7277).
What are the Risk/s Identified?	**Management Approach**
Non-adherence to providing benefits mandated by the government is a violation of the law and will subject the Company to civil and criminal liabilities in addition to revocation of license to operate.	All employees enter into labor contracts for legal employment with the Company. The Company exercises check-and-balance practices to ensure that various policies are properly implemented.
What are the Opportunity/ies Identified?	**Management Approach**
The Company is considering telecommuting or work from home arrangements. Work from home arrangement decreases operational expenses of the Company and increases employees' work efficiency.	The Company prioritizes management of its employees to ensure that it maintains a high-performing workforce that is at par with the best in the industry. The Company implemented work-from-home arrangements in compliance with the government's mandate on reducing the spread of COVID-19.

EMPLOYEE TRAINING AND DEVELOPMENT

TOTAL TRAINING HOURS PROVIDED TO EMPLOYEES

128 HOURS
Female Employees

48 HOURS
Male Employees

AVERAGE TRAINING HOURS PROVIDED TO EMPLOYEES

26 TO 64 HOURS PER EMPLOYEE
Female Employees

16 HOURS PER EMPLOYEE
Male Employees

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The onshore and offshore petroleum competency requirement is quite complex as it requires high standard of safety and proficiency. PXP greatly believes that employees are the main asset of the Company and continuous training and development should be implemented.	Technical personnel are attending SEAPEX meetings/seminars here and abroad, as well as annual Philippine Geological Conferences (GEOCON) since 2015. In 2016, a Basin Analysis training course was attended by a PXP geologist, together with other geoscientists from local petroleum operators. The technical team attended the first virtual GEOCON and GEOSEA in years 2020 and 2021, respectively. The Company's staff have attended webinars on topics related to their fields that were organized by government agencies, petroleum service companies, and other professional organizations and societies. HSSE trainings such as Basic Occupational Safety and Health Training (BOSH) by DOLE and First Aid and Basic Life Saving Trainings by Philippine Red Cross was attended by assigned PXP personnel in third quarter of 2021. Earthquake and fire drills are implemented by the Company.
What are the Risk/s Identified?	**Management Approach**
Globally, the petroleum industry is experiencing a downturn, which caused a slowdown in overall operations and sustenance of personnel training and development. Due to COVID-19, face to face trainings and seminars became sparse and were limited to online teleconferences because of the suspension of physical social gatherings mandated by the Philippine Government.	The training and development budget will be re-aligned in response to the oil price crash. Encourage personnel to take advantage of free webinar courses provided by technical experts. Despite less trainings offered in 2021, the Company availed of online seminars for the advancement of expertise of its employees.
What are the Opportunity/ies Identified?	**Management Approach**
While petroleum operations are slowing down, the Company should take this opportunity to avail training which is much cheaper if done locally with other petroleum operators. Also, online trainings are cheaper as they will not require travel and accommodation costs. HSSE trainings should be attended by all personnel with different definitions of safety standards.	In 2016, PXP together with other petroleum operators availed an international training course and conducted it locally. Two PXP personnel attended free online BOSH training of DOLE in third quarter of 2021. First aid training by the Red Cross should be attended by all PXP employees, in compliance with the DOE requirement to assign 1 to 2 safety officers on site and during field operations. A PXP personnel attended the said training in November 2021. The Company looks for opportunities for inexpensive local or online training if available given the health and travel restrictions being imposed due to COVID-19. Additionally, technical personnel are participating on free online courses offered by petroleum experts.

LABOR-MANAGEMENT RELATIONS

% OF EMPLOYEES COVERED WITH COLLECTIVE BARGAINING AGREEMENTS	NUMBER OF CONSULTATIONS CONDUCTED WITH EMPLOYEES CONCERNING EMPLOYEE-RELATED POLICIES
Not Applicable	**Not Applicable**

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company has no collective bargaining agreements with any of its employees.	The Company creates a working environment that is conducive to open discussion and collaboration, with the goal of enabling everyone to work together towards improving its working conditions and enhancing the overall productivity.
What are the Risk/s Identified?	**Management Approach**
The Company has no reported issues on labor-management relations during the year.	The Company upholds the values of integrity and accountability. Therefore, it expects the members of its workforce to comply with pertinent rules and regulations and hold them accountable for any violations that may occur in the conduct of their duties.
What are the Opportunity/ies Identified?	**Management Approach**
Maintaining a harmonious professional relationship between the management and staff as it helps ensure employee engagement and business continuity.	The Company encourages open communications between management and staff through various formal and informal channels, especially during this health crisis that the overall wellbeing (i.e., mental and physical health) of the employees is being regarded with utmost importance. Continue to engage the employees in a non-business-relaxing environment to foster team spirit and bonding.

DIVERSITY AND EQUAL OPPORTUNITY

% OF FEMALE WORKERS IN THE WORKFORCE	% OF MALE WORKERS IN THE WORKFORCE	NUMBER OF EMPLOYEES FROM INDIGENOUS COMMUNITIES AND/ OR VULNERABLE SECTOR*
78%	22%	1

* *Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Company activities such as hiring, promotion, and compensation are conducted without regard to race, color, ethnicity, religion, national origin, gender, gender identity or expression, sexual orientation, marital status, dependents, genetics, disability, age, social class, or political views.	The management is committed to respecting people's differences and creating an inclusive workplace culture. It does not tolerate any kind of harassment or prejudice. In order to respect and value the diversity of the employees and all with whom the Company do business, managers are required to ensure that the working environment is free from any form of harassment and discrimination. PXP advocates the rights of female workers in the office without bias and discrimination. Additionally, the Company adheres to the Solo- Parent Welfare Act of 2000 (RA 8972) and the Magna Carta for Disabled Persons (RA 7277). The company's board diversity policy can be found in the Company's website through this link: https://www.pxpenergy.com.ph/corporate-governance/company-policy/board-diversity-policy/
What are the Risk/s Identified?	**Management Approach**
The Company has not identified any violation relating to diversity and equal opportunity.	All employees are provided with equal career opportunities and recognize that people bring different skill qualities to the work place.
What are the Opportunity/ies Identified?	**Management Approach**
As at October 31, 2021, the Company has 9 employees comprising 7 females and 2 males. The Company continues to encourage: • greater female participation; and • executive senior professional employees to look for mentoring opportunities for more junior employees to gain valuable insights into PXP and the oil & gas industry, generally. Diversity creates goodwill within the community and within the industry.	The Company will continue to promote inclusiveness to help break down barriers and reduce the fear of being rejected, not only for who the employees are, but also for the ideas they voice. Continuous hiring of both local and foreign consultants for the company's exploration projects.

Workplace Conditions, Labor Standards, and Human Rights

OCCUPATIONAL HEALTH AND SAFETY

SAFE MAN-HOURS	WORK-RELATED INJURIES	WORK-RELATED FATALITIES	WORK-RELATED ILL-HEALTH	NO. OF SAFETY DRILLS
207,543* HOURS	0 HOURS	0 HOURS	0 HOURS	1 HOURS

Data is from the SC 14 C-1 Galoc FPSO for the year 2021.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company and its Subsidiaries consistently foster a safe working environment. PXP implements employee health and safety measures and training programs that protect people from occupational hazards by preventing injury, illness, and fatality. The onset of the global pandemic due to COVID-19 disease had greatly impacted several businesses and industries including the petroleum and energy sectors.	The Company strictly complies with all relevant occupational health and safety laws and regulations. PXP aims to achieve zero injury and fatality rate for its entire staff. The same is true with offshore operations of subsidiaries, which adhere to international HSSE policies. At the work site, first aid kits and fire extinguishing equipment are conspicuously located and properly maintained. To ensure emergency preparedness, staff participates in regular fire and earthquake evacuation drills. Regular first aid and lifesaving trainings are being attended by the Company's designated safety officer. Precautionary measures were implemented at the PXP office before workers can return to site like undergoing self-quarantine for 14 days or rapid and RT-PCR tests. If not feeling well at the office, employees are encouraged to stop work, report this to management, and seek medical care. After availing sick leave for more than 2 days or undergoing quarantine, employees are required to acquire medical certificates for clearance before they are allowed to go back to the office. Management is updated and in compliance with all government mandates with regard to COVID-19. The plug and abandonment of the remaining Nido A1 & A2 wells was moved from April 2020 to October 2020 due to the enhanced community quarantine placed in the entire island of Luzon in March 2020. Additionally, during the same period, the SC 14C-1 Operator implemented an FPSO lockdown, wherein the fly-in fly out roster of the staff onboard was temporarily put on hold.
What are the Risk/s Identified?	**Management Approach**
No fatal cases, occupational injuries or incidents were recorded during the year at the office as well as in the field. Failure to manage workplace safety would negatively impact employee health and productivity. The employees are highly at risk of contracting the coronavirus disease.	The Company enforces occupational health and safety protocols for the benefit of the employees, contractors, and host communities. The Company implements additional health and safety protocols in accordance with IATF Guidelines for the management of Emerging Infectious Diseases. The COVID-19 disease had prompted the Company to conduct rapid and RT-PCR tests in June and August 2020, to ensure the safety of its employees and prevent the untoward spreading of the disease in the office premises. In addition, face masks, face shields, and alcohol were supplied to all its employees. Minimum health and safety standards such as social distancing, body temperature reading, and constant handwashing are strictly practiced in the office. Since 2020, employees reporting on-site are also required to fill out online daily health declaration forms within 30 minutes upon their arrival at the office. Procurement and inoculation of COVID-19 vaccines for most of the employees were done in September 2021.
What are the Opportunity/ies Identified?	**Management Approach**
By properly managing and implementing health and safety trainings, employees and contractors can handle their jobs safely for the benefit of the organization and all stakeholders. The Company aims to be up-to-date with current best practices in HSSE.	The Company will continue to provide the necessary equipment, training, and resources to enable employees and contractors to work safely. PXP will consistently encourage and empower employees by letting them attend safety trainings and retake training sessions, if necessary, to refresh their memory. Employees were also encouraged to attend webinars which tackled COVID-19 vaccines and what to do when the virus strikes at home.

LABOR LAWS AND HUMAN RIGHTS

No. of legal actions or employee grievances involving forced or child labor

0 No. of Cases

Do you have policies that explicitly disallow violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Yes, the Company has policies covering labor laws and human rights.

TOPIC	Y/N	IF YES, CITE REFERENCE IN THE COMPANY POLICY
Forced labor	Y	As provided by the Philippine labor law and regulations. The Company also has a policy for Code of business conduct and ethics and that of whistleblowers under https://www.pxpenergy.com.ph/corporate-governance/company-policy/code-of-business-conduct-and-ethics/ and https://www.pxpenergy.com.ph/corporate-governance/company-policy/whistle-blowing/.
Child labor	Y	
Human Rights	Y	As provided under the Philippine Constitution and the Universal Declaration of Human Rights. The Company also has a policy for Code of business conduct and ethics and that of whistleblowers under https://www.pxpenergy.com.ph/corporate-governance/company-policy/code-of-business-conduct-and-ethics/ and https://www.pxpenergy.com.ph/corporate-governance/company-policy/whistle-blowing/.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company follows the principle of fairness and openness in its recruitment process. The Company employs people who choose to work and the Company does not use forced or compulsory labor. Also, PXP does not use child labor or employ people under minimum employment age limit.	The Company values the dignity of every individual and have strict compliance to the basic human rights as provided under the Philippine Constitution and the Universal Declaration of Human Rights. In case of violations, the Company has a policy for whistleblowers.
What are the Risk/s Identified?	**Management Approach**
Risk that subcontractors have violations of labor laws and human rights.	The Company values the dignity of every individual and have strict compliance to the basic human rights as provided under the Philippine Constitution and the Universal Declaration of Human Rights. Any violation of laws is encouraged to be reported as indicated in the whistleblower policy of the Company.
What are the Opportunity/ies Identified?	**Management Approach**
The Company aims to be up-to-date with current Labor Laws and Human Rights policies which protect both the stakeholders and the Company.	The Company values the dignity of every individual and have strict compliance to the basic human rights as provided under the Philippine Constitution and the Universal Declaration of Human Rights. Any violation of laws is encouraged to be reported as indicated in the whistleblower policy of the Company.

SUPPLY CHAIN MANAGEMENT

TOPIC	Y/N	IF YES, CITE REFERENCE IN THE COMPANY POLICY
Environmental performance	Y	https://www.pxpenergy.com.ph/corporate-governance/company-policy/supplier-contractor-relation/
Forced labor	Y	
Child labor	Y	
Human rights	Y	
Bribery and corruption	Y	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company's relationships with suppliers, contractors, consultants, and advisers (collectively, "Suppliers") are based on lawful, efficient, and fair practices. All bidders are given equal opportunity to compete and their bids are evaluated fairly and in a transparent manner.	All Directors, Employees, and Consultants are encouraged to be vigilant against any irregular, illegal, or unethical conduct of Suppliers and/or fellow Directors, Employees, and Consultants (see Annex "A" for examples of Supplier/ Contractor Relations Policy Violations). The Company encourages everyone to report any such violations based on the existing Whistleblowing Policy or equivalent policy. Directors, Employees, and Consultants may also report in writing their knowledge about any irregular, illegal, or unethical conduct of Suppliers and/or fellow Directors, Employees, and Consultants as follows: (a) Directors shall notify the Board of Directors through its Chairman of such conduct; (b) Officers shall report to the Company President [copy furnished the Corporate Governance Office (CGO)]; and (c) Employees and Consultants shall inform their respective Group Heads, copy furnished to the CGO. A proper investigation and resolution of each reported event shall be made by the appropriate business units and the results shall be forwarded to the Chairman of the Board, the President or respective executive-level superior, and the CGO and other relevant groups or bodies, in accordance with the procedure stated in the Whistleblowing Policy. The Board of Directors, Officers, and Executives must ensure that any Director, Employee, or Consultant who reports a suspected violation of this policy by fellow Director, Employee, or Consultant is protected from any form of retaliation. The Company's Policy on Vendor Relations is available for more details at the Company's website through this link: https://www.pxpenergy.com.ph/corporate-governance/company-policy/supplier-contractor-relation/

What are the Risk/s Identified?	Management Approach
The Company has no reported violations on supply management during the year. The following are examples of procurement situations that reveal unethical conduct by an Employee and/or Supplier. The areas and situations enumerated are illustrative only and not exhaustive.	

What are the Risk/s Identified?	Management Approach
1. An Employee manipulating his evaluation of the contract proposals in exchange for Bribes. 2. A Supplier seeking internal (within the Company) and/or external (i.e. political/government) connections to increase chances of contract award. 3. Suppliers submitting false documents for accreditation and other procurement-related transactions or processes. 4. Employees developing unreasonable or over specific technical requirements such that award of contract intentionally goes to a particular or preferred Supplier. 5. Employees giving priority or informing preferred Suppliers in advance before actual request such that other Suppliers are caught unprepared or with too little time to plan. 6. Products and/or services that have not undergone official procurement procedure since these were tested or evaluated beforehand through product demos with particular Suppliers thus limiting chances for other Suppliers to compete. 7. Undisclosed conflict of interest situations on business dealings resulting to giving undue advantage to another party. 8. Disclosure of confidential and proprietary information by Employees to Suppliers. 9. Incorrect payment of government taxes due to manipulation of documents by Suppliers. 10. Suppliers not remitting the correct SSS, PhilHealth, Pag-Ibig, and other employee contributions to their employees.	The Company includes in the Supplier Contractor Relations policy the consequences for any violations: 1. Any Director, Employee, and Consultant found to have violated this Policy shall be liable to the extent of the damage/loss suffered by PXP, and/or may be subject to penalties and sanctions as may be determined by the appropriate authorities, whether or not damage is actually suffered by PXP, in accordance with the law and existing company policies. 2. Suppliers who violate the Company are also penalized. Sanctions include, but are not limited to, termination of business relationship with the Company and blacklisting.

What are the Opportunity/ies Identified?	Management Approach
Responsible supply chain management can generate value to the Company. It improves collaboration with suppliers, attracts and retains employees, provide security for investors and creditors and can create new market opportunities.	PXP shall continuously uphold the highest professional standards of business practices, core values and ethics as enshrined in its Code of Business Conduct and Ethics (the "Code") in its business dealings with its Suppliers in the procurement of products and services.

Relationship with Community

SIGNIFICANT IMPACTS ON LOCAL COMMUNITIES

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Job opportunities	Job opportunities	Rental of land (Brgy. Maya)
Location	Cebu	Calamian Islands	Cebu
Vulnerable groups (if applicable)*	Not Applicable	Not Applicable	Not Applicable
Does the particular operation have impacts on indigenous people (Y/N)?	N	Y	N
Collective or individual rights that have been identified that or particular concern for the community	Land jurisdictions	Religious and cultural beliefs	Land jurisdictions
Mitigating measures (if negative) or enhancement measures (if positive)	Conducted IEC campaign prior to the gravity survey in 2020.	Conducted IEC campaign prior to the field work in 2018.	Timely and full payment of rental fee. Secure property. Proper land use according to agreement with the landowner.

* *Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: **None**

CERTIFICATES

FPIC PROCESS IS STILL UNDERGOING	CP SECURED
Not Applicable*	**Not Applicable***

* *The FPIC and CP are not applicable to PXP and Forum since there are no IPs residing within their operated SCs. During the SC 74 Fieldwork in 2018, the team requested for permission from the Tagbanua Tribe to study rock outcrops in Coron Island. Please take note that Coron Island is not inside SC 74. The objective of the fieldwork is to correlate the geology of the offshore SC 74 with the onshore Calamian Island.*

What are the Risk/s Identified?	Management Approach
Misunderstanding between PXP and the local community might lead to issues which could affect the operations, as well as the health and safety of deployed personnel in the field.	PXP implements careful planning and consultation with the local communities. In June 2018, during a fieldwork in Coron Island, PXP properly coordinated with the Indigenous Peoples (IPs) Tagbanua Tribe prior, during, and after the fieldwork. The field team composed of PXP personnel and graduate students from the University of the Philippines complied with the tribe's directive to ask for permission before acquiring rock samples in the island, which the locals consider as a sacred place. Management of community tensions, grievances, and concerns through transparent formal grievance mechanism. Supporting and collaborating with host local governments to encourage revenue good governance.
What are the Opportunity/ies Identified?	**Management Approach**
Involvement of the local community in the Company's project by hiring local residents.	The Service Contract states that the Company is committed to provide scholarship for deserving students residing within the area where the company operates and institutional assistance to state universities/colleges in the amount of five thousand United States dollars ($5,000) per year cumulative during the exploration/development phase, and a minimum amount of ten thousand United States dollars ($10,000) per year cumulative during the production phase. Management's strict adherence to the service contract ensures that the indigenous communities are protected.

Customer Management

CUSTOMER SATISFACTION

SCORE	Did a party conduct the customer satisfaction study (Y/N)?
Not Applicable*	No.

* PXP does not have customers except for being a member of the Galoc consortium which produces and sells crude oil to refining companies. The consortium adheres to the quantity/quality required by the customers of these fields. There were no recorded complaints/disputes.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
In line with PXP's Code of Business Conduct and Ethics, the Company upholds fair and transparent dealings with its customers. All the transactions and business relationships with customers are covered by contracts and comply with existing laws and regulations in the country.	As part of the Company's commitment to the welfare of its customers, Company representatives and its customers meet annually to review and discuss the terms of the new or existing contract as well as identify areas for improvement in operations and other related aspects. The Company's policy is available at the Company's website: https://www.pxpenergy.com.ph/corporate-governance/company-policies/
What are the Risk/s Identified?	**Management Approach**
There were no identified customer satisfaction risk during the year.	PXP will continuously review, update, and improve Company's policy with customers.
What are the Opportunity/ies Identified?	**Management Approach**
PXP shall determine the level of satisfaction of the Company's stakeholders and customers once its exploration fields are converted to production stage.	The Company shall regularly conduct Stakeholder's/Customer's Satisfaction Survey by third-party contractors to determine and improve actual performance/service rendered and quality of its operations once its exploration fields are converted to production stage.

HEALTH AND SAFETY

NO. OF SUBSTANTIATED COMPLAINTS ON PRODUCT OR SERVICE HEALTH AND SAFETY*	NO. OF COMPLAINTS ADDRESSED
0	0

* Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Customer health and safety is important for all businesses and remains an utmost priority for PXP.	PXP will continuously review, update, and improve Company's policy with customers.
What are the Risk/s Identified?	**Management Approach**
There were no identified risks on health and safety to customers as PXP does not yet have customers. Risks shall be identified once its exploration fields are converted to production.	PXP does not yet have customers. Risks shall be identified once its exploration fields are converted to production. PXP shall consistently promote safe and healthy working environment, not only to employees but also to customers.
What are the Opportunity/ies Identified?	**Management Approach**
PXP does not yet have customers. Opportunities shall be identified once its exploration fields are converted to production.	The Company shall regularly conduct Stakeholder's/Customer's Satisfaction Survey by third-party contractors to determine and improve actual performance/service rendered and quality of its operations once its exploration fields are converted to production stage.

MARKETING AND LABELLING

NO. OF SUBSTANTIATED COMPLAINTS ON MARKETING AND LABELLING*	NO. OF COMPLAINTS ADDRESSED
0	0

** Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Although the Company has mainly exploration assets at this time, marketing and labelling efforts are evident through maintenance of its website at www.pxpenergy.com.ph, which caters to its stakeholders, clients, and future investors.	The Company consistently updates and improves its website.
What are the Risk/s Identified?	**Management Approach**
Security and falsification of posted information on website.	PXP ensures that all data uploaded on the website are secured, accurate, and up to date.
What are the Opportunity/ies Identified?	**Management Approach**
Study digital marketing.	The market is evolving, thus, the Company should improve its marketing and labelling strategies by being involved with digital marketing.

CUSTOMER PRIVACY

NO. OF SUBSTANTIATED COMPLAINTS ON CUSTOMER PRIVACY*	NO. OF COMPLAINTS ADDRESSED	NO. OF CUSTOMERS, USERS, AND ACCOUNT HOLDERS WHOSE INFORMATION IS USED FOR SECONDARY PURPOSES
0	0	0

** Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
For customer privacy, PXP respects every stakeholder's right to privacy and commits to protect all personal data. Collection, retention and use of sensitive of information are utilized only for its intended use.	The Company strictly complies with Republic Act No. 10173 otherwise known as the Data Privacy Act of 2012 and implements its own internal control on data security. As a personal information controller/processor, the Company has put protocols to protect the personal information of the data subject.
What are the Risk/s Identified?	**Management Approach**
Disclosures of stakeholders personal data are limited only to what is required by law or to comply with legal or regulatory requirements, the Company has no control as soon as the information is shared externally (i.e. PSE/SEC).	The Company adheres with RA 10173 otherwise known as the Data Privacy Act of 2012 and implements its own internal control on data security. PXP adopts risk management and control measures to deter any breach of data security. Certain levels of data security are in place.
What are the Opportunity/ies Identified?	**Management Approach**
Compliance to customer privacy can build customer trust and loyalty.	In this digital age, compliance with the Data Privacy Act strengthens the integrity and security of the Company in relation to its electronic database and records.

Data Security

0 DATA BREACHES, INCLUDING LEAKS, THEFTS AND LOSSES OF DATA

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company has an updated and effective security software to protect the Company data and can provide real time visibility of any threat activities to stop a breach before it happens. Daily data backup is also in place. The Company consistently ensures security of technical classified G&G data of its operated and non-operated SCs.	The Company takes precautions and educate the employees not to share any sensitive and confidential information. Preventive security measures like data backup, recovery, and firewall are in place. To ensure security of data, a File Transfer Protocol (FTP) server is being utilized by the Technical Team. The corporate emails of employees handling technical data are equipped with additional security features wherein electronic messages are encrypted to prevent data theft during exchange of emails within the company or with third party contractors.
What are the Risk/s Identified?	**Management Approach**
Out of date cyber security software will make the server vulnerable to third-party access, data loss, and additional operational expenses to the Company. Information breach will lead to loss of confidential data.	Anti-virus and cyber security software are continuously upgraded for data security. Immediately notify the person/company involve in the event of any breach or use of any sensitive data.
What are the Opportunity/ies Identified?	**Management Approach**
Strong data security will result to financial savings and avoidance of any reputational damage. Technical data which is a detrimental asset to the company will be securely stored and unwanted leakage will be prevented.	The Company ensures continuous update of its data security programs. Additional Network-Attached-Storage (NAS) with security feature was procured by the company to contain more technical data which can only be accessed by a selected number of employees.

UN SUSTAINABLE DEVELOPMENT GOALS

KEY PRODUCTS AND SERVICES	SOCIETAL VALUE OR CONTRIBUTION TO UN SDGS	POTENTIAL NEGATIVE IMPACT OF CONTRIBUTION	MANAGEMENT APPROACH TO NEGATIVE IMPACT
 Oil & Gas Exploration & Production	ECONOMIC GROWTH	Environmental damage associated with field operations.	Strict compliance to government laws and regulations on health and environmental safety.
	DECENT WORK	Health & Safety	Conduct IEC campaign prior to the fieldwork.
	WELFARE OF VULNERABLE GROUPS	Traditional lifestyle of indigenous people are affected	Careful planning, consultation management, accommodation and negotiation with the local community and indigenous groups.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **PXP ENERGY CORPORATION** (the "Company") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Sycip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

MANUEL V. PANGILINAN
Chairman of the Board

DANIEL STEPHEN P. CARLOS
President

PARALUMAN M. NAVARRO
Treasurer

2021 JOINT AUDIT AND BOARD RISK & RESOURCE OVERSIGHT COMMITTEE'S STATEMENT TO THE BOARD OF DIRECTORS

ON THE ADEQUACY OF THE COMPANY'S INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

In compliance with the applicable corporate governance laws and rules, the Audit Committee and the Board Risk and Resource Oversight Committee of PXP Energy Corporation ("PXP" or "the Company"), including its subsidiaries, major associated companies and joint ventures ("PXP Group"), report and confirm the following:

1. An Independent Director chairs the Audit Committee and another Independent Director chairs the Board Risk & Resource Oversight Committee. Each of the two Committees has two Independent Directors;
2. The Audit Committee and the Board Risk & Resource Oversight Committee held four (4) and three (3) meetings, respectively, during the year 2021;
3. The Audit Committee reviewed and approved all audit services provided by SGV & Co. to the PXP Group, and related fees for such services;
4. The Audit Committee discussed with the PXP Internal Audit Group and SGV & Co. the overall scope and the plans for their respective audits, and results of their examinations, their evaluation of PXP and the Subsidiaries' internal controls, and overall quality of PXP Group's financial reporting;
5. The Audit Committee discussed with SGV & Co. the matters required to be discussed by the prevailing applicable Auditing Standards. The Committee received written disclosures and letters from SGV & Co. as required by the prevailing Independence Standards (Statement of Independence) and discussed with the same its Independence from PXP Group and the PXP Group management;
6. The Audit Committee and the Board Risk and Resource Oversight Committee conducted a review of the Company's internal control systems and confirmed the adequacy and effectiveness of the same.
7. In the performance of its oversight responsibilities, the Audit Committee reviewed and discussed the audited financial statements of PXP for the year ended December 31, 2021 with the PXP Group's management, which has the primary responsibility for the financial statements, and with SGV & Co., the PXP Group's independent auditor, which is responsible for expressing an opinion on the conformity of the PXP Group's audited financial statements with Philippine Financial Reporting Standards (PFRS);
8. Based on the reviews and discussions related to No. 6, subject to the limitation on its role and responsibilities, the Audit Committee recommended to the Board of Directors the inclusion of the Company's financial statements as of and for the year ended December 31, 2021 in the Company's Annual Report to the Stockholders and to the Philippine Securities and Exchange Commission (SEC) on Form 17-A and;
9. Based on a review of SGV & Co.'s performance and qualifications, including consideration of management's recommendation, the Audit Committee approved the appointment of SGV & Co. as the PXP Group's independent auditor for the year 2022.
10. In addition to the Audit Committee's oversight responsibilities, the Audit Committee reviewed the quarterly financial highlights or results of the Company and related material transactions for the year 2021 that need to be reported in accordance with Philippine Financial Reporting Standards (PFRS);
11. The Board Risk and Resource Oversight Committee periodically conducted reviews of the effectiveness of the PXP Group's Enterprise Risk Management (ERM) systems for the year ended 31 December 2021. The review covered all material strategic, financial, operational and compliance risks.
12. The Board Risk & Resource Oversight Committee regularly updated the Company's risk register, identified the probability of each risk occurring, the likelihood of occurrence and the impact the risks would have on the Company's performance.
13. The Board Risk & Resource Oversight Committee regularly reported to the Board the Company's risk exposures and recommended actions to address them.

Respectfully Submitted,

ERMELINDA R. ROMAN
Committee Chair, Independent Audit Committee

BENJAMIN S. AUSTRIA
Committee Chair, Independent (BRROC)

INDEPENDENT AUDITOR'S REPORT

The Stockholders and Board of Directors
PXP Energy Corporation
2/F LaunchPad
Reliance corner Sheridan Streets
Mandaluyong City

Opinion

We have audited the consolidated financial statements of PXP Energy Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Recoverability of Deferred Oil and Gas Exploration Costs, and Goodwill

As at December 31, 2021, the carrying value of the Group's deferred oil and gas exploration costs, and goodwill amounted to ₱2,244 million and ₱254 million, respectively. These deferred exploration costs pertain to the expenditures incurred in the exploration stage of the Group's oil and gas assets, while the Group's remaining goodwill is attributable to the acquisition of Service Contract 72 Recto Bank. In 2021, the Group recognized an allowance for impairment of deferred exploration costs and wrote off goodwill attributable to Peru-Z38 service contract amounting to ₱3,421 million and ₱980 million, respectively.

Under *PFRS 6, Exploration for and Evaluation of Mineral Resources*, these deferred exploration costs shall be assessed for impairment when facts and circumstances suggest that the carrying amounts exceeds the recoverable amounts. The ability of the Group to recover its deferred exploration costs would depend on the (a) status of each oil and gas exploration project and plans on exploration and evaluation activities; (b) validity of the licenses, permits and correspondences related to each oil and gas exploration project; (c) plans to abandon existing oil and gas areas and plans to discontinue exploration activities; and (d) availability of information suggesting that the recovery of expenditure is unlikely. The Group is also required to annually test the amount of goodwill for impairment under *PAS 36, Impairment of Assets*.

The impairment test is significant to our audit because the balance of the deferred oil and gas exploration costs and goodwill is material to the consolidated financial statements, and determination of the recoverable amount of the cash generating unit (CGU) to which the deferred oil and exploration costs, and goodwill is attributed involves significant judgement and assumptions about future results of business, specifically forecasted oil and gas prices, estimated volume of resources, capital expenditures, production and operating costs and discount rate.

The Group's disclosures about goodwill and deferred exploration cost are included in Notes 4 and 11 to the consolidated financial statements, respectively.

Audit response

We obtained management's assessment on whether there is any indication that deferred oil and gas exploration costs and goodwill may be impaired. We reviewed the summary of status of each of the exploration projects as at December 31, 2021. We inspected the service contracts and relevant joint operations agreements of each exploration project to determine that the period for which the Group has the right to explore in the specific area has not expired, will not expire in the near future, and will be renewed accordingly, and the Group has rights and obligations under the contracts through participating interests. We obtained and reviewed the work program and budget duly approved by the joint operation and the regulatory agency. We also obtained the latest management disclosures to the relevant regulatory agencies regarding the status of the Group's service contracts which support the assessment of management regarding their recoverability. We also inquired about the existing service contract areas that are expected to be abandoned or any exploration activities that are planned to be discontinued in those areas.

We involved our internal specialist in evaluating the methodologies and the discount rate used. We compared the key assumptions used including inflation rates, forecasted oil and gas prices, estimated volume of resources, capital expenditures, production and operating costs, against relevant external data. We tested the parameters used in the determination of the discount rate against market data. We compared the production quantities in the future cash flows model against the estimated oil and gas resources declared by the competent person's report. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of goodwill.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Alexis Benjamin C. Zaragoza III.

SYCIP GORRES VELAYO & CO.

Alexis Benjamin C. Zaragoza III
Partner
CPA Certificate No. 109217
Tax Identification No. 246-663-780
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 109217-SEC (Group A)
Valid to cover audit of 2019 to 2023 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-129-2019, November 27, 2019, valid until November 26, 2022
PTR No. 8854392, January 3, 2022, Makati City

February 23, 2022

PXP ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands, Except Par Value per Share and Number of Equity Holders)

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱529,472**	₱143,008
Trade and other receivables - net (Note 6)	**28,952**	32,838
Inventories - net (Note 7)	**4,240**	2,925
Other current assets (Note 8)	**22,752**	16,567
Total Current Assets	**585,416**	195,338
Noncurrent Assets		
Deferred oil and gas exploration costs - net (Note 11)	**2,243,914**	5,316,062
Goodwill (Note 4)	**254,397**	1,234,387
Property and equipment - net (Note 9)	**1,850**	2,125
Right-of-use (ROU) asset (Note 10)	**3,864**	4,044
Other noncurrent assets (Note 12)	**4,776**	3,631
Total Noncurrent Assets	**2,508,801**	6,560,249
TOTAL ASSETS	**₱3,094,217**	₱6,755,587
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 13)	**₱45,790**	₱24,287
Lease liability (Note 10)	**609**	553
Income tax payable	**8,730**	14
Total Current Liabilities	**55,129**	24,854
Noncurrent Liabilities		
Lease liability - net of current portion (Note 10)	**4,447**	4,654
Deferred tax liabilities - net (Note 17)	**94,080**	1,069,412
Other noncurrent liabilities (Notes 9 and 24)	**323,974**	187,716
Total Noncurrent Liabilities	**422,501**	1,261,782
Total Liabilities	**477,630**	1,286,636
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - ₱1 par value (Note 16)		
Authorized - 6,800,000,000 common shares		
Issued and subscribed - 1,960,000,000 common shares	**1,960,000**	1,960,000
Additional paid-in capital	**2,816,545**	2,816,545
Subscription receivable (Note 16)	–	(121,114)
Equity reserves	**139,319**	139,319
Deficit	**(3,414,263)**	(1,699,966)
Cumulative translation adjustment on foreign subsidiaries	**183,293**	57,954
	1,684,894	3,152,738
Non-controlling interests (Note 16)	**931,693**	2,316,213
Total Equity	**2,616,587**	5,468,951
TOTAL LIABILITIES AND EQUITY	**₱3,094,217**	₱6,755,587

See accompanying Notes to Consolidated Financial Statements.

PXP ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Loss per Share)

	Years Ended December 31		
	2021	2020	2019
PETROLEUM REVENUES (Note 23)	**₱64,198**	₱30,250	₱72,499
COSTS AND EXPENSES			
Petroleum production costs (Note 14)	**40,586**	34,134	85,517
General and administrative expenses (Note 14)	**62,082**	64,529	105,079
	102,668	98,663	190,596
OTHER INCOME (CHARGES)			
Provision for impairment of:			
Deferred oil and gas exploration costs (Note 11)	**(3,421,436)**	–	–
Property and equipment (Note 9)	**–**	(5,895)	(194,557)
Loss on write-off of:			
Other current assets (Note 8)	**–**	(335)	–
Goodwill (Note 4)	**(979,990)**	–	(4,196)
Other noncurrent assets (Note 12)	**–**	–	(324)
Gain on settlement of deed (Note 11)	**442,188**	–	–
Provision for plug and abandonment costs due to change in estimates (Note 9)	**(122,863)**	–	(10,659)
Foreign exchange gains (losses) - net	**11,277**	(9,979)	(12,396)
Interest expense (Notes 9 and 10)	**(504)**	(1,135)	(1,003)
Interest income (Note 5)	**113**	695	2,566
Gain on termination of subscription agreement (Note 1)	**–**	–	40,290
Others	**(58)**	–	–
	(4,071,273)	(16,649)	(180,279)
LOSS BEFORE INCOME TAX	**(4,109,743)**	(85,062)	(298,376)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 17)			
Current	**8,590**	582	783
Deferred	**(975,058)**	(9,374)	(1,939)
	(966,468)	(8,792)	(1,156)
NET LOSS	**(₱3,143,275)**	(₱76,270)	(₱297,220)
NET LOSS ATTRIBUTABLE TO:			
Equity holders of the Parent Company	**(₱1,714,297)**	(₱56,102)	(₱272,144)
Non-controlling interests	**(1,428,978)**	(20,168)	(25,076)
	(₱3,143,275)	(₱76,270)	(₱297,220)
BASIC/DILUTED LOSS PER SHARE (Note 22)	**(₱0.875)**	(₱0.029)	(₱0.139)

See accompanying Notes to Consolidated Financial Statements.

PXP ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2021	2020	2019
NET LOSS	**(₱3,143,275)**	(₱76,270)	(₱297,220)
OTHER COMPREHENSIVE INCOME (LOSS)			
Items to be reclassified to profit or loss in subsequent periods:			
Gain (loss) on translation of foreign subsidiaries	**169,797**	(40,735)	(89,846)
TOTAL COMPREHENSIVE LOSS	**(₱2,973,478)**	(₱117,005)	(₱387,066)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO			
Equity holders of the Parent Company	**(₱1,588,958)**	(₱85,861)	(₱338,297)
Non-controlling interests	**(1,384,520)**	(31,144)	(48,769)
	(₱2,973,478)	(₱117,005)	(₱387,066)

See accompanying Notes to Consolidated Financial Statements.

PXP ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company								
	Capital Stock (Note 16)	Additional paid-in capital	Subscription Receivable (Note 16)	Equity Reserves	Deficit	Cumulative Translation on Foreign Subsidiaries	Subtotal	Non-controlling Interests (Note 16)	Total
BALANCES AT JANUARY 1, 2019	**P1,960,000**	**P2,821,000**	**(P2,310,750)**	**P122,062**	**P1,371,720**	**P153,866**	**P1,374,458**	**P2,407,960**	**P3,782,418**
Net loss for the year	–	–	–	–	(272,144)	–	(272,144)	(25,076)	(297,220)
Other comprehensive income									
Items to be reclassified to profit or loss in subsequent periods:									
Loss on translation of foreign subsidiaries						(66,153)	(66,153)	(23,693)	(89,846)
Total comprehensive income (loss) for the year	–	–	–	–	(272,144)	(66,153)	(338,297)	(48,769)	(387,066)
Payment of subscription, net of transaction costs (Notes 1 and 16)	–	(4,455)	2,126,450	–	–	–	2,121,995	–	2,121,995
Effects of transactions with owners	–	–	–	188	–	–	188	(974)	(786)
BALANCES AT DECEMBER 31, 2019	**1,960,000**	**2,816,545**	**(184,300)**	**122,250**	**(1,643,864)**	**87,713**	**3,158,344**	**2,358,217**	**5,516,561**
Net loss for the year	–	–	–	–	(56,102)	–	(56,102)	(20,168)	(76,270)
Other comprehensive income:									
Items to be reclassified to profit or loss in subsequent periods									
Loss on translation of foreign subsidiaries	–	–	–	–	–	(29,759)	(29,759)	(10,976)	(40,735)
Total comprehensive income (loss) for the year	–	–	–	–	(56,102)	(29,759)	(85,861)	(31,144)	(117,005)
Payment of subscription, net of transaction costs (Notes 1 and 16)			63,186				63,186		63,186
Effect of transactions with owners (Note 16)	–	–	–	17,069	–	–	17,069	(10,860)	6,209
BALANCES AT DECEMBER 31, 2020	**1,960,000**	**2,816,545**	**(121,114)**	**139,319**	**(1,699,966)**	**57,954**	**3,152,738**	**2,316,213**	**5,468,951**
Net loss for the year	–	–	–	–	(1,714,297)	–	(1,714,297)	(1,428,978)	(3,143,275)
Other comprehensive income:									
Items to be reclassified to profit or loss in subsequent periods.									
Gain on translation of foreign subsidiaries	–	–	–	–	–	125,339	125,339	44,458	169,797
Total comprehensive income (loss) for the year	–	–	–	–	(1,714,297)	125,339	(1,588,958)	(1,384,520)	(2,973,478)
Payment of subscription, net of transaction costs (Notes 1 and 16)	–	–	121,114	–	–	–	121,114	–	121,114
BALANCES AT DECEMBER 31, 2021	**P1,960,000**	**P2,816,545**	**P–**	**P139,319**	**(P3,414,263)**	**P183,293**	**P1,684,894**	**P931,693**	**P2,616,587**

See accompanying Notes to Consolidated Financial Statements.

PXP ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	**(₱4,109,743)**	(₱85,062)	(₱298,376)
Adjustments for:			
Provision for impairment of:			
Deferred exploration cost (Note 11)	**3,421,436**	–	–
Property and equipment (Note 9)	**–**	5,895	194,557
Loss on write-off of:			
Other current assets (Note 8)	–	335	–
Goodwill (Note 4)	**979,990**	–	4,196
Other noncurrent assets (Note 12)	**–**	–	324
Gain on settlement of deed (Note 11)	**(442,188)**	–	–
Provision for plug and abandonment costs due to change in estimates (Note 9)	**122,863**	–	10,659
Unrealized foreign exchange losses (gains) - net	**(11,277)**	9,979	12,396
Depletion and depreciation (Note 14)	**1,009**	4,561	35,540
Interest expense and other charges (Notes 9 and 10)	**504**	1,135	1,003
Interest income (Note 5)	**(113)**	(695)	(2,566)
Operating loss before working capital changes	**(37,519)**	(63,852)	(42,267)
Decrease (increase) in:			
Trade and other receivables - net	**13,669**	690	6,954
Inventories - net	**(1,096)**	4,375	11,336
Other current assets	**(5,759)**	(720)	(2,667)
Increase (decrease) in:			
Trade and other payables	**29,189**	(34,279)	22,593
Provision for plug and abandonment costs	**–**	(11,354)	(1,021)
Net cash used in operations	**(1,516)**	(105,140)	(5,072)
Interest paid	**(405)**	(416)	(421)
Income taxes paid	**(164)**	(1,183)	(601)
Interest received	**113**	695	2,689
Net cash flows used in operating activities	**(1,972)**	(106,044)	(3,405)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from settlement of deed (Note 11)	**442,188**	–	–
Additions to:			
Deferred oil and gas exploration costs (Note 11)	**(202,023)**	(53,692)	(66,930)
Property and equipment (Note 9)	**(268)**	(2,036)	(16,105)
Increase in other noncurrent assets	**(889)**	–	–
Net cash flows provided by (used in) investing activities	**239,008**	(55,728)	(83,035)

(Forward)

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from subscription agreement (Notes 1 and 16)	**₱121,114**	₱63,186	₱2,126,450
Payment for principal portion of lease liability	**(151)**	(87)	(36)
Decrease in other non-current liabilities	**(700)**	–	–
Proceeds from issuance of subsidiary's new shares (Note 16)	**–**	25,400	–
Acquisition by subsidiary of own shares (Note 16)	**–**	(19,191)	–
Acquisition of non-controlling interest (Note 16)	**–**	–	(786)
Payment of advances from related parties (Note 18)	**–**	–	(2,125,184)
Payment for stock issuance costs	**–**	–	(4,455)
Net cash flows provided by (used in) financing activities	**120,263**	69,308	(4,011)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**357,299**	(92,464)	(90,451)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**29,165**	(10,482)	(5,969)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**143,008**	245,954	342,374
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱529,472**	₱143,008	₱245,954

See accompanying Notes to Consolidated Financial Statements.

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from subscription agreement (Notes 1 and 16)	**₱121,114**	₱63,186	₱2,126,450
Payment for principal portion of lease liability	**(151)**	(87)	(36)
Decrease in other non-current liabilities	**(700)**	–	–
Proceeds from issuance of subsidiary's new shares (Note 16)	**–**	25,400	–
Acquisition by subsidiary of own shares (Note 16)	**–**	(19,191)	–
Acquisition of non-controlling interest (Note 16)	**–**	–	(786)
Payment of advances from related parties (Note 18)	**–**	–	(2,125,184)
Payment for stock issuance costs	**–**	–	(4,455)
Net cash flows provided by (used in) financing activities	**120,263**	69,308	(4,011)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**357,299**	(92,464)	(90,451)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**29,165**	(10,482)	(5,969)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**143,008**	245,954	342,374
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱529,472**	₱143,008	₱245,954

See accompanying Notes to Consolidated Financial Statements.

On March 9, 2016, PXP's Board of Directors (BOD), approved to change its corporate name from Philex Petroleum Corporation to PXP Energy Corporation.

On February 17, 2017, Pitkin tendered its offer to buy back 11,430,500 of its own shares for a consideration of US$0.35 per share. The Parent Company surrendered 6,107,000 shares for a consideration of ₱107,717, while the NCI owners surrendered its proportionate stake of 5,323,500 shares for a total payment of ₱92,788. The transaction did not change the ownership percentages for both PXP and NCI owners.

On March 23, 2017, PXP entered into an agreement with FEL and Forum (GSEC 101) Limited (FGL) to capitalize a part of the maturing long-term loan of FGL from PXP amounting to US$11,805 into 39,350,920 new common shares of FEL at US$.030 per share. On May 17, 2017, PXP bought an additional investment of 1,185,000 shares in FEL from Asia Link B.V. at US$0.30 per share, for a total consideration of ₱17,705. On November 23, 2017, PXP entered into an agreement to buy 1,000,000 FEL shares held by FEC at US$0.30 per share for a total consideration of ₱15,219. As a result of these transactions, PXP's economic interest in FEL increased from 58.90% to 75.92% (see Note 16).

On October 26, 2018, PXP, PMC and Dennison Holdings Corp. (DHC), signed a subscription agreement wherein the PMC and DHC will subscribe to 260 million and 340 million common shares of PXP, for a total consideration of ₱3,081,000 and ₱4,029,000, respectively.

On December 27, 2018, PMC paid the 25% downpayment of ₱770,250. As a result of the transaction, PMC's total ownership interest in PXP increased from 19.76% to 30.40% as at December 31, 2018.

PMC paid subscription payable to PXP amounting to ₱121,114, ₱63,186 and ₱2,126,450 in 2021, 2020 and 2019, respectively (see Note 16).

On January 7, 2019, DHC paid an initial downpayment of ₱40,290, with the remaining balance due on March 31, 2019. However, DHC failed to pay the remaining balance, thereby forfeiting its downpayment in favor of PXP.

On March 31, 2019, PXP and DHC mutually agreed to terminate the subscription agreement. All rights of DHC to subscribe to the aforesaid common shares of PXP, and any obligation of PXP to issue such shares to DHC, are terminated without any residual rights of any kind remaining with DHC. Accordingly, all other rights of PXP under the agreement are terminated, including the right to receive payment of the remaining balance of the subscription price. Consequently, the Parent Company recognized ₱40,290 as gain on termination of the subscription agreement.

On April 16, 2020, PXP increased its direct shareholding in FEL from 72.24% to 72.33%. The additional interest was acquired through subscription to 6,099,629 new ordinary shares of FEL. The new shares were issued at approximately US$0.30 per share for a total consideration of US$1,830 (see Note 16).

On August 5, 2020, PXP increased its direct shareholding in FEC from 54.99% to 78.39%. This increased PXP's total economic interest in Forum from 76.07% to 77.66%. The additional interest was acquired through a subscription to 449,999,986 new ordinary shares of FEC through a stock rights offering. The new shares issued at approximately US$0.00225 per share for a total consideration of US$1,012.

On October 2, 2020, Pitkin bought back 8.5 million of its total issued shares at a price of US$0.10 per share for a total consideration of US$850. PXP sold 4,541,464 of Pitkin shares for a total consideration of US$454 while the minority shareholders sold their pro-rata share of 3,958,536 shares for a total consideration of US$396. The transaction did not affect PXP's 53.43% stake in Pitkin.

The Parent Company's registered business address is 2/F LaunchPad, Reliance corner Sheridan Streets, Mandaluyong City.

Business Operations

The Ultimate Parent Company, PXP, FEL and its subsidiaries, and Pitkin and its subsidiaries are collectively referred to as 'the Group' whose revenue is derived primarily from oil and gas assets in the Philippines.

PXP Parent Company

The Parent Company's principal asset is a 50% operating interest in Service Contract (SC) 75. It covers an area of 6,160 square kilometers in the Northwest (NW) Palawan Basin. However, due to a *force majeure* issued by the Department of Energy (DOE) on December 27, 2015, exploration activities in the area were temporarily suspended as at December 31, 2019.

On October 16, 2020, the Parent Company received a "Resume-to-Work" notice from the DOE dated October 14, 2020 lifting the *force majeure* over SC 75 effective immediately allowing exploration activities to resume over the block. PXP has 18 months to fulfill its work commitments, including the acquisition of 1,000 sq. km of 3D seismic data as the minimum work commitment under SP 2.

FEL and its subsidiaries

FEL's principal asset is a 70% interest in SC 72 which covers an area of 8,800 square kilometers in the West Philippine Sea. FEL is scheduled to accomplish its SP 2 of exploration activities from August 2011 to August 2013. However, due to maritime disputes between the Philippine and Chinese governments, the SC was placed under *force majeure* and exploration activities in the area were temporarily suspended as at December 31, 2014.

On October 16, 2020, FEL received a letter from the DOE dated October 14, 2020 lifting the *force majeure* over SC 72 effective immediately allowing exploration activities to resume over the block. FEL has 20 months to drill the two commitment wells under SP 2.

A Technical Services Agreement (TSA) with AWT International (AWT), a third-party upstream petroleum consultancy company, was signed effective July 1, 2021. AWT provides drilling management and manpower support services to deliver FEL's two commitment wells to commence during the first half of 2022.

The Libertad Field, an area within its 100% interest in SC 40 located in Bogo City, Cebu had been shut-in since August 2015. It was deemed that FEL would not be able to resume operations due to pressure-related problems in the L95-1 production well. Thus, FEL decided to decommission the field and to plug and abandon (P&A) the L95-1 well permanently. The P&A program was approved by the DOE on August 1, 2017. On November 11, 2017, FEL's contractor Desco Inc. was able to successfully plug and abandon the L95-1 well. Exploration activities in other areas within SC 40 will continue.

Pitkin and its subsidiaries

Pitkin is an international upstream oil and gas group, engaged primarily in the acquisition, exploration and development of oil and gas properties and the production of hydrocarbon products with operations in Peru. Pitkin's principal asset is 25% interest in Peru Block Z-38. The Block's operator, Karoon Gas Australia Inc. (Karoon), holds 40% interest.

The Marina-1X well was spudded in Peru Block Z-38 at a water depth of 362 meters on January 26, 2020. 'Mudlogging and Logging while Drilling' results from the primary targets in the Tumbes Formation indicated that the well encountered thin water-bearing sands with no oil and only minor gas shows. As such, plug and abandonment activities in the Marina-1X well commenced and were completed in 2020.

Following the completion of the Marina-1X exploration well drilling campaign during the first quarter of 2020, the evaluation of the technical data continued. Due to delays in the drilling of the well in the current exploration phase, a six-month extension was requested and granted by Perupetro, extending the end of the current third period to December 31, 2020.

Due to the temporary closure of Karoon's Peru office due to the COVID-19 lockdown and quarantine requirements declared by the Peruvian Government, the Operator applied for *force majeure* on Block Z-38, which was granted by the authorities on July 14, 2020. The *force majeure* begins from March 16, 2020.

On November 17, 2020, Tullow Oil plc (Tullow) has issued a Notice of Withdrawal from the contract and joint operating agreement effective December 31, 2020. As a result, Karoon acquired Tullow's 35% interest while Pitkin maintained its 25% interest in Peru Z-38.

On November 27, 2020, Perupetro lifted the *force majeure* and advised Karoon that the last day of the third exploration phase will be on July 27, 2021.

In April 2021, Karoon notified Pitkin that it does not wish to enter the fourth exploration period and will withdraw from the contract and the joint operating agreement. In view of this, Pitkin sent a Notice of Dispute to Karoon on May 25, 2021 and issued a claim against Karoon for breach of its farm-in agreement obligations that include fully funding all exploration activities until the second well is drilled. On July 27, 2021, the license contract for Block Z-38 expired due to Karoon's failure to enter the fourth exploration period and to carry Pitkin to one well under the farm-in agreement.

On September 17, 2021, Pitkin and Karoon entered into a Deed of Settlement and Release to settle all disputes in connection with Block Z-38. Under the deed, Karoon will pay Pitkin US$9.6 million in cash in full and final settlement of all claims by Pitkin in the block. The deed became effective upon the receipt of the cash settlement by Pitkin on October 4, 2021. Gain on settlement of deed recognized in 2021 amounted to ₱442,188, net of related consultancy and legal expenses (see Note 11).

Recovery of Deferred Oil and Gas Exploration Costs
The Group's ability to realize its deferred oil and gas exploration costs with carrying values amounting to ₱2,243,914 and ₱5,316,062 as at December 31, 2021 and 2020, respectively (see Note 11), depends on the success of its exploration and future development work in proving the viability of its oil and gas properties to produce oil and gas in commercial quantities, which cannot be determined yet at this time. The consolidated financial statements do not include any adjustment that might result from these uncertainties.

Other Matters
In a move to contain the COVID-19 outbreak, countries around the world imposed stringent social distancing measures to mitigate the impact of the outbreak. This include the Philippines, United Kingdom and Peru where the Group's subsidiaries are located. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve. These also caused macroeconomic uncertainty with regard to supply and demand for oil and gas products and volatility in oil prices.

Since most of the Group's oil and gas assets are in the early or latter stage of evaluation and exploration activities, management believes that the COVID-19 pandemic will have minimal impact on the Group's earnings, cash flow and financial condition.

To protect the welfare and safety of the personnel providing support for the Group, PXP has measures in place to reduce the risk of infection on its personnel and strictly follows government guidelines to contain the spread of the virus.

Authorization for Issuance of the Consolidated Financial Statements
The accompanying consolidated financial statements of the Group as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021, were authorized for issuance by the BOD on February 23, 2022.

2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

Basis of Preparation
The consolidated financial statements of the Group have been prepared on a historical cost basis. The consolidated financial statements are presented in Philippine Peso (Peso), which is PXP's functional and reporting currency, rounded to the nearest thousand (₱000) except when otherwise indicated.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*
  The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

  The amendment is effective for annual reporting periods beginning on or after April 1, 2021.

The Group adopted the amendment beginning April 1, 2021. As there are no rent concessions granted to the Group as a lessee, this amendment had no impact on the consolidated financial statements.

- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

  The Group shall also disclose information about:
  - The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

  The Group adopted the amendments beginning January 1, 2021. The adoption of these amendments had no impact on the consolidated financial statements as at and for the year ended December 31, 2021.

Standards and Interpretations Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs* 2018-2020 Cycle
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Summary of Significant Accounting Policies and Financial Reporting Practices

Presentation of Consolidated Financial Statements
The Group has elected to present all items of recognized income and expenses in two statements: a statement displaying components of profit or loss in the consolidated statements of income and a second statement beginning with profit or loss and displaying components of other comprehensive income (OCI) in the consolidated statements of comprehensive income.

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification. An asset as current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within 12 months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within 12 months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31 of each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies.

Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only, if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of income from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies in line with the Parent Company's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Parent Company loses control over a subsidiary, it derecognizes the assets (including goodwill), and liabilities, non-controlling interests and other components of equity while any resulting gain or loss is recognized in the consolidated statements of income. Any investment retained is recognized at fair value.

The Parent Company's principal subsidiaries and their nature of business are as follows:

Subsidiary	Nature of Business
FEL	Incorporated on April 1, 2005 in England and Wales primarily to engage in the business of oil and gas exploration and production, with focus on the Philippines.
Forum Energy Philippines Corporation (FEPCO)	FEPCO was incorporated in the Philippines on March 27, 1988 and is involved in oil and gas exploration in the Philippines, particularly a 3.2103% interest in SC 14 C-1 Galoc.
Forum Exploration, Inc. (FEI)	FEI was incorporated in the Philippines on September 11, 1997 and is involved in oil and gas exploration in the Philippines.
FGL	FGL was incorporated in Jersey on March 31, 2005 and is involved in oil and gas exploration in the Philippines, particularly a 70% interest in SC 72 Recto Bank.
Forum (GSEC 101) Ltd. - Philippine Branch (FGLP)	FGLP was established as a Philippine branch on October 17, 2005 and is involved in oil and gas exploration in the Philippines.
ForumPH SC72 Holdings, Inc. (SC72 Holdings)	SC72 Holdings was incorporated in the Philippines on January 8, 2020 to primarily act as a holding company.

(Forward)

Subsidiary	Nature of Business
ForumPhil SC72 ProjectCo, Inc. (ProjectCo)	ProjectCo was incorporated in the Philippines on January 23, 2020 and is involved in oil and gas exploration in the Philippines.
Pitkin	Pitkin was incorporated and registered in UK of Great Britain and Northern Ireland on April 6, 2005 and is engaged primarily in the acquisition, exploration and development of oil and gas properties and the production of hydrocarbon products.
Pitkin Petroleum (Philippines) Plc (PPP)	PPP was registered as the Philippine Branch of Pitkin Petroleum Limited on March 19, 2008.
Pitkin Petroleum Peru Z-38 SRL (Z38)	Incorporated on October 5, 2006 and is engaged in exploration of oil and gas in Peru.
FEC	Incorporated on February 8, 1982 under the laws of Alberta, Canada. Primarily acts as an investment holding company.
Brixton Energy & Mining Corporation (BEMC)	Incorporated in the Philippines on July 19, 2005 to engage in exploration development and utilization of energy-related resources.

Also included as part of the Parent Company's subsidiaries are those intermediary entities which are basically holding companies established for the operating entities mentioned above. The following are the intermediary entities of the Group: Pitkin Peru LLC (PPR) and Pitkin Vamex LLC (PVX).

The ownership of the Parent Company over the foregoing companies as at December 31, 2021 and 2020 is summarized as follows:

	2021			2020		
	Direct	**Indirect**	**Total**	Direct	Indirect	Total
FEL	**72.33**	**5.33**	**77.66**	72.33	5.33	77.66
FEPCO	–	**77.66**	**77.66**	–	77.66	77.66
FEI	–	**52.60**	**52.60**	–	52.60	52.60
FGL	–	**77.66**	**77.66**	–	77.66	77.66
FGLP	–	**77.66**	**77.66**	–	77.66	77.66
SC72 Holdings	–	**77.66**	**77.66**	–	77.66	77.66
ProjectCo	–	**77.66**	**77.66**	–	77.66	77.66
Pitkin	**53.43**	–	**53.43**	53.43	–	53.43
PPP	**53.43**	–	**53.43**	53.43	–	53.43
PVX	–	**53.43**	**53.43**	–	53.43	53.43
Z38	–	**40.07**	**40.07**	–	40.07	40.07
PPR	–	**53.43**	**53.43**	–	53.43	53.43
Z38	–	**13.36**	**13.36**	–	13.36	13.36
FEC	**78.39**	–	**78.39**	78.39	–	78.39
FEL	**72.33**	**5.33**	**77.66**	72.33	5.33	77.66
BEMC	**100.00**	–	**100.00**	100.00	–	100.00

Non-controlling interest (NCI)

NCI represents interest in a subsidiary that is not owned, directly or indirectly, by the Parent Company. Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company and to the non-controlling interest. Total comprehensive income (loss) is attributed to the equity holders of the Parent Company and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

Non-controlling interest represents the portion of profit or loss and the net assets not held by the Parent Company.

Business Combination and Goodwill

Acquisition method

Business combinations, except for business combinations between entities under common control, are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed and included in general and administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organized workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognized in the consolidated statements of income. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9 is remeasured at fair value, with changes in fair value recognized either in OCI in accordance with PFRS 9. If the contingent consideration is not within the scope of PFRS 9, it is measured at fair value with the changes in fair value recognized in the consolidated statements of income in accordance with PFRS 9. Other contingent consideration that is not within the scope of PFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in the consolidated statements of income.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for NCI, and any previous interest held, over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statements of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

Interest in Joint Arrangements
PFRS defines a joint arrangement as an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require unanimous consent of the parties sharing control.

Joint operations
A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement.

In relation to its interests in joint operations, the Group recognizes its:
- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly

Foreign Currency Translation of Foreign Operations
The Group's consolidated financial statements are presented in Peso, which is also the Parent Company's functional currency. Each subsidiary in the Group determines its own functional currency and items included in the consolidated financial statements of each subsidiary are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to the consolidated statements of comprehensive income reflects the amount that arises from using this method.

For purposes of consolidation, the financial statements of FEL, Pitkin and FEC, which are expressed in United States dollar (US$) amounts, have been translated to Peso amounts as follows:
- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the consolidated statements of financial position
- income and expenses in the statements of income are translated at exchange rates at the weighted average prevailing rates for the year
- all resulting exchange differences in OCI

On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognized in the consolidated statements of income.

Noncurrent Assets Held for Sale
The Group classifies noncurrent assets held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Noncurrent assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property and equipment are not depreciated once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statements of financial position.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial Recognition and Subsequent Measurement of Financial Assets

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing the financial assets. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group has no financial assets at FVPL and FVOCI.

Subsequent Measurement

Financial assets at amortized cost (debt instruments)

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in the consolidated statements of income when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost include cash and cash equivalents, trade receivables and guaranteed deposits (see Notes 5, 6 and 12).

Impairment of Financial Assets
The Group recognizes an allowance for ECLs for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and other receivables due in less than 12 months, the Group applies the simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead, recognizes a loss allowance based on the financial asset's lifetime ECL at each reporting date.

In determining the credit risk exposure for cash in banks and short-term investments, the Group has established probability of default rates based on available credit ratings published by third party credit rating agencies. The credit ratings already considered forward-looking information. When a counterparty does not have published credit ratings, the Group benchmarks the credit ratings of comparable companies, adjusted to account for the difference in size and other relevant metrics.

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

Derecognition of Financial Assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables (except government payables) and other noncurrent liabilities.

Subsequent measurement

After initial recognition, trade payables and accrued expenses are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statements of income when the liabilities are derecognized, as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statements of income.

Derecognition of Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of income.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Determination of Fair Value

An analysis of the fair values of financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed and further details as to how they are measured are provided in the Note 19.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of the reporting date.

<u>Cash and Cash Equivalents</u>
Cash consists of cash on hand and in banks. Cash in banks earn interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earn interest at the respective short-term investments rates.

<u>Inventories</u>
Petroleum inventories are valued at the lower of cost and net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

Cost of petroleum inventory includes production costs consisting of costs incurred in bringing the inventories to their present location and condition. Unit cost is determined using the weighted average method.

<u>Other Current Assets</u>
Other current assets are expenses paid in advance and recorded as asset before they are utilized. Other current assets that are expected to be realized for no more than 12 months after the end of the reporting period are classified as current assets. Otherwise, these are classified as other noncurrent assets.

Value-added tax (VAT)
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statements of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.

Prepaid expenses
Prepaid expenses pertain to advance payments to rentals, insurance premiums, prepaid taxes and other prepaid items. Prepaid items are apportioned over the period covered by the payment and charged to the appropriate accounts in the consolidated statements of income when incurred. These are stated at the estimated NRV.

Property and Equipment
Property and equipment are stated at cost, net of accumulated depletion and depreciation and accumulated impairment losses, if any.

The initial cost of property and equipment, other than oil and gas properties consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use and any estimated cost of dismantling and removing the property and equipment item and restoring the site on which it is located to the extent that the Group had recognized the obligation to that cost. Such cost includes the cost of replacing part of the property and equipment if the recognition criteria are met. When significant parts of property and equipment are required to be replaced in intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of 'Property and equipment' as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized as expense in the consolidated statements of income when incurred.

Oil and gas properties pertain to those costs relating to exploration projects where technical feasibility is demonstrated and commercial quantities are discovered and are subsequently reclassified to 'Property and equipment' from 'Deferred oil and gas exploration costs' account upon commercial viability.

Oil and gas properties also include its share in the estimated cost of decommissioning the SCs for which the Group is constructively liable. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Construction in progress (CIP) included in property and equipment is stated at cost, which includes direct labor, materials and construction overhead. CIP is not depreciated until the time the construction is complete, at which time the constructed asset will be transferred out from its present classification to the pertinent property and equipment classification.

Depletion of oil and gas properties is calculated using the units-of-production (UOP) method based on estimated proved and probable developed reserves.

Depreciation of other items of property and equipment is computed using the straight-line method over the estimated useful lives of the assets as follows:

Asset Category	Number of Years
Machinery and equipment	2 to 5
Surface structures	10

Depletion of oil and gas properties commences upon commercial production. Depreciation of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

When assets are sold or retired, the cost and related accumulated depletion and depreciation and accumulated impairment in value are removed from the accounts and any resulting gain or loss is recognized in the consolidated statements of income.

The estimated recoverable reserves, useful lives, and depletion and depreciation methods are reviewed periodically to ensure that the estimated recoverable reserves, periods and methods of depletion and depreciation are consistent with the expected pattern of economic benefits from the items of property and equipment.

Fully depreciated assets are retained in the accounts until these are no longer in use. No further depreciation is charged to current operation for these items.

Deferred Oil and Gas Exploration Costs

Exploration and evaluation activity involve the search for hydrocarbon resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Once the legal right to explore has been acquired, costs directly associated with exploration are capitalized under 'Deferred oil and gas exploration costs'. The Group's deferred oil and gas exploration costs are specifically identified for each SC area. All oil and gas exploration costs relating to each SC are deferred pending the determination of whether the contract area contains oil and gas reserves in commercial quantities. Capitalized expenditures include costs of technical services and studies, exploration drilling and testing, and appropriate technical and administrative expenses.

If no potentially commercial hydrocarbons are discovered, the deferred oil and gas exploration asset is written off through the consolidated statements of income. If extractable hydrocarbons are found and, subject to further appraisal activity (e.g., the drilling of additional wells), it is probable that they can be commercially developed, the costs continue to be carried under deferred oil and gas exploration costs account while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons. Costs directly associated with appraisal activity undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalized as deferred oil and gas exploration costs.

At the completion of the exploration phase, if technical feasibility is demonstrated and commercial reserves are discovered, then, following the decision to continue into the development phase, the oil and gas exploration costs relating to the SC, where oil and gas in commercial quantities are discovered, is first assessed for impairment and (if required) any impairment loss is recognized, then the remaining balance is transferred to 'Oil and gas properties' account shown under the 'Property and equipment' account in the consolidated statements of financial position.

Deferred oil and gas exploration costs are assessed at each reporting period for possible indications of impairment. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case or is considered as areas permanently abandoned, the costs are written off through the consolidated statements of income. Exploration areas are considered permanently abandoned if the related permits of the exploration have expired and/or there are no definite plans for further exploration and/or development.

The recoverability of deferred oil and gas exploration costs is dependent on the commercial viability of the reserves, the ability of the Group to obtain necessary financing to complete the development of reserves and future profitable production or proceeds from the disposition of recoverable reserves. A valuation allowance is provided for unrecoverable deferred oil and gas exploration costs based on the Group's assessment of the future prospects of the exploration project.

Impairment of Nonfinancial Assets
This accounting policy applies primarily to the Group's goodwill, property and equipment, ROU asset and deferred oil and gas exploration costs (see Notes 4, 9, 10 and 11).

The Group assesses, at each reporting date, whether there is an indication that its property and equipment, ROU asset and deferred oil and gas exploration costs may be impaired. If any indication exists, the Group makes an estimate of their recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets in which case, the asset is tested as part of a larger CGU to which it belongs. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows to be generated by such items are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset or CGU.

Impairment losses are recognized in the consolidated statements of income.

For assets and CGUs excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized, impairment loss is reversed only if there has been a change in the assumptions used to determine the asset' or/CGU's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset or CGU does not exceed the lower of its recoverable amount, or the carrying amount that would have been determined, net of depreciation or depletion, had no impairment loss been recognized for the asset or CGU in prior years. Such a reversal is recognized in the statements of income. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount on a systematic order over its remaining estimated useful life.

Goodwill
Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount to which goodwill has been allocated, an impairment loss is recognized. Where goodwill forms part of a CGU (or group of CGUs) and part of the operations within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative fair values of the operation disposed of and the portion of the CGU retained. Impairment losses relating to goodwill cannot be reversed in future periods.

Provisions

General

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized a separate asset, but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the consolidated statement of income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Provision for Plug and Abandonment Costs

Plug and abandonment costs on oil and gas fields are based on estimates made by the SC operator. The timing and amount of future expenditures are reviewed annually. Liability and capitalized costs included in oil and gas properties is equal to the present value of the Group's proportionate share in the total plug and abandonment costs of the consortium on initial recognition.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the field location. When the liability is initially recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related oil and gas properties to the extent that it was incurred by the development/construction of the field. Any plug and abandonment obligations that arise through the production of inventory are expensed when the inventory item is recognized in petroleum production costs.

Changes in the estimated timing or cost of plug and abandonment are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to oil and gas properties. Any reduction in the plug and abandonment liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the consolidated statements of income.

If the change in estimate results in an increase in the plug and abandonment liability and, therefore, an addition to the carrying value of the asset, the Group considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment. If, for mature fields, the estimate for the revised value of oil and gas assets net of plug and abandonment provisions exceeds the recoverable value, that portion of the increase is charged directly to expense.

Over time, the discounted liability is increased for the change in present value based on the discount rate that reflects current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the consolidated statements of income as 'interest expense'.

The Group recognizes neither the deferred tax asset in respect of the temporary difference on the plug and abandonment liability nor the corresponding deferred tax liability in respect of the temporary difference on a plug and abandonment asset.

For closed sites or areas, changes to estimated costs are recognized immediately in the consolidated statements of income.

Capital Stock and Additional Paid-in Capital
Capital stock is measured at par value for all shares issued. The proceeds from the issuance of ordinary or common shares are presented in equity as capital stock to the extent of the par value issued shares and any excess of the proceeds over the par value or shares issued less any incremental costs directly attributable to the issuance, net of tax, is presented in equity as additional paid-in capital.

Subscription Receivable
Subscription receivable pertains to the uncollected portion of the subscribed capital stock which reduces the outstanding balance of capital stock.

Equity Reserves
Equity reserves is the difference between the acquisition cost of an entity under common control and the Parent Company's proportionate share in the net assets of the entity acquired as a result of a business combination accounted for using the pooling-of-interests method. This is derecognized when the subsidiaries are deconsolidated, which is the date on which control ceases.

An increase or decrease in the Parent Company's ownership interest that does not result in a loss of control of a subsidiary is accounted for as an equity transaction, i.e. a transaction with owners in their capacity as owners. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary in this account.

Deficit
Deficit represents accumulated losses of the Group, prior period adjustments, effect of changes in accounting policies, and other capital adjustments.

Related Party Relationships and Transactions
Related party relationships exist when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders.

Revenue Recognition
Revenue from sale of petroleum products is recognized at a point in time when the control of the goods has transferred from the Consortium Operator of the joint arrangement to the customer, which is typically upon delivery of the petroleum products to the customers. Revenue is measured at an amount that reflects the consideration to which the Group expects to be entitled in exchange of those goods, which is typically the fair value of the consideration received, excluding discounts, rebates, and other sales tax or duty. The Group has generally concluded that it is the principal in its revenue arrangements.

Under the terms of the relevant joint operating agreements, the Group is entitled to its participating share in the sale of petroleum products based on the Group's participative interest. The revenue recognized from the sale of petroleum products pertains to the Group's share in revenue from the joint operations. The revenue sharing is accounted for in accordance with PFRS 11, *Joint Arrangements*.

Costs and Expenses Recognition
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of that result in decreases in equity, other than those relating to distributions to equity participants. Costs and expenses are recognized in the consolidated statements of income in the year they are incurred.

Petroleum production costs
Petroleum production costs, which include all direct materials and labor costs, depletion of oil and gas properties, and other costs related to the oil and gas operations, are expensed when incurred.

General and administrative expenses
General and administrative expenses constitute the costs of administering the business and are recognized when incurred.

Others
Others include other income and expenses which are incidental to the Group's business operations and are recognized in the consolidated statements of income.

Leases
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities at the present value of lease payments and ROU assets representing the right to use the underlying assets.

ROU assets
The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. The estimated useful life of the asset is 11 years.

Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition

exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

<u>OCI</u>
OCI comprises items of income and expense (including items previously presented under the consolidated statements of changes in equity) that are not recognized in the consolidated statements of income.

<u>Foreign Currency-Denominated Transactions and Translations</u>
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in the consolidated statements of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss on translation of non-monetary items measured at fair value of the item is treated in line with the recognition of the gain or loss arising on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

<u>Income Taxes</u>
Current income tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations where applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:
- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the parent, investor or venturer and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), and net operating loss carry-over (NOLCO), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, excess MCIT and NOLCO can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available, against which the temporary differences can be utilized

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items outside of profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in the consolidated statements of income.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Uncertainty Over Income Tax Treatments

The Group assesses at the end of each financial reporting period whether it has any uncertain tax treatments by reviewing the assumptions about the examination of tax treatments by the taxation authority, determining taxable profit (loss), tax bases, unused NOLCO and excess MCIT and tax rates, and considering changes in relevant facts and circumstances. The Group then evaluates how likely it is that a certain tax treatment will be accepted by the taxation authority. If it is probable that the taxation authority will accept a certain tax treatment, the Group concludes that it has no uncertain tax treatment and will measure tax amounts in line with the income tax filings. If it is not probable that the taxation authority will accept a certain tax treatment, the Group measures tax amounts based on the 'most likely amount' method (better predicts uncertainty if the possible outcomes are binary or are concentrated on one value) or 'expected value' method (better predicts uncertainty if there is a range of possible outcomes that are neither binary nor concentrated on one value). The Group presents uncertain tax liabilities as part of current income tax liabilities or deferred tax liabilities.

Earnings Per Share (EPS)
Basic EPS is computed by dividing the net income attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared during the year, if any. Shares subscriptions that are entitled to dividends are part of the computation of the weighted average number of common shares outstanding for basic EPS computation.

Diluted EPS is calculated by dividing the net income attributable to equity holders of the Parent Company by the weighted average number of common shares issued during the year plus the weighted average number of common shares that would be issued on the conversion of all potentially dilutive common shares into common shares.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products provided, with each segment representing a strategic business unit that offers different products to different markets.

Segment assets include operating assets used by a segment and consist principally of operating cash and cash equivalents, trade and other receivables, inventories, property and equipment and ROU asset, net of allowances and provisions.

Segment liabilities include all operating liabilities and consist principally of trade and other payables.

Contingencies
Contingent liabilities are not recognized in financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Events After the Reporting Period
Events after the reporting period that provide additional information about the Group's position at the reporting period (adjusting events) are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

3. Summary of Significant Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRSs requires the management of the Group to exercise judgments, make accounting estimates and use assumptions that affect the reported amounts of assets, liabilities, income and expenses, and the accompanying disclosure of any contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effects of any change in accounting estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Accounting judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from such estimates.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effects on amounts recognized in the consolidated financial statements.

Determination of the functional currency

PXP and BEMC, based on the relevant economic substance of the underlying circumstances, have determined their functional currency to be the Philippine Peso. FEL's, Piktin's and FEC' functional currency is the United States dollar. These are the currencies of the primary economic environments in which the entities primarily operate.

Determination and classification of a joint arrangement

Judgment is required to determine when the Group has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries as set out in Note 2.

Judgment is also required to classify a joint arrangement. Classifying the arrangement requires the Group to assess its rights and obligations arising from the arrangement. Specifically, the Group considers:

- The structure of the joint arrangement - whether it is structured through a separate vehicle
- When the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from:
  a. The legal form of the separate vehicle
  b. The terms of the contractual arrangement
  c. Other facts and circumstances (when relevant)

This assessment often requires significant judgment, and a different conclusion on joint control and also whether the arrangement is a joint operation or a joint venture, may materially impact the accounting treatment for each assessment.

As at December 31, 2021 and 2020, the Group's joint arrangements are in the form of a joint operation.

Assessment of production start date

The Group assess the stage of each oil field to determine when the project moves from the exploration to the production phase. When a project moves into the production stage, the capitalization of certain exploration or development costs ceases and costs are either regarded as inventory or expensed, except for capitalizable costs related to wells, platforms and other facilities additions or improvements. It is also at this point that depletion commences.

Assessment of units-of-production depletion

Estimated recoverable proved and probable developed reserves are used in determining the depletion of wells, platforms and oil field assets. This results in a depletion charge proportional to the depletion of the anticipated remaining life of the asset. Each item's life, which is assessed annually, has regard to both physical life limitations and to present assessments of economically recoverable reserves of the oil field. The calculation requires the use of estimates of future capital expenditure. The Group uses barrels of oil produced as the basis of depletion. Any change in estimates is accounted for prospectively.

Accounting Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimation of provision for ECLs of trade and other receivables

The Group uses a provision matrix to calculate ECLs for trade and other receivables. The provision rates are based on days past due of each counterparty that have similar loss pattern.

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., movements in crude oil prices) are expected to deteriorate over the next year which can lead to an increased number of defaults amongst the Group's customers, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs involves estimates and assumptions to be made. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

In 2021, the Group wrote off receivables amounting to ₱10. Translation adjustment in 2021 and 2020, resulted to increase of ₱50 and decrease of ₱38 of provision for ECLs as at December 31, 2021 and 2020, respectively. Total carrying value of trade receivables amounted to ₱28,952 and ₱32,838, net of allowance for ECLs amounting to ₱711 and ₱671 as at December 31, 2021 and 2020, respectively (see Note 6).

Estimation of the incremental borrowing rate (IBR)

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

The Group's lease liabilities amounted to ₱5,056 and ₱5,207 as at December 31, 2021 and 2020, respectively (see Note 10).

Estimation of oil and gas reserves

Hydrocarbon reserves are estimates of the amount of hydrocarbons that can be economically and legally extracted from the Group's oil and gas properties. The Group estimates its commercial reserves based on information compiled by appropriately qualified persons relating to the geological and technical data on the extent and volume of the hydrocarbon field and suitable production techniques and recovery rates. Commercial reserves are determined using estimates of oil in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves and the proportion of the gross reserves which are attributable to the host government under the terms of the service contracts. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs.

The Group estimates and reports hydrocarbon reserves in line with the principles contained in the Society of Petroleum Engineers Petroleum Resources Management Reporting System framework. As the economic assumptions used may change and as additional geological information is obtained during the operation of a field, estimates of recoverable reserves may change. Such changes may impact the Group's reported financial position and results, which include:

- The carrying value of deferred oil and gas exploration costs; oil and gas properties and property and equipment, may be affected due to changes in estimated future cash flows.
- Depreciation and amortization charges in the consolidated statements of income may change where such charges are determined using the UOP method, or where the useful life of the related assets change.
- Provisions for plug and abandonment may require revision - where changes to the reserves estimates affect expectations about when such activities will occur and the associated cost of these activities.
- The recognition and carrying value of deferred tax assets may change due to changes in the judgments regarding the existence of such assets and in estimates of the likely recovery of such assets.

Estimation of depletion based on UOP
Wells, platforms, and other facilities are depleted using the UOP method over the total proved and probable developed reserves. This results in an amortization charge proportional to the depletion of the anticipated remaining production from the field.

The life of each item, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the field for which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the UOP rate of depletion could be impacted to the extent that actual production in the future is different from current forecasted production based on total proved and probable developed reserves, or future capital expenditure estimate changes. Changes to prove reserves could arise due to changes in the assumptions used in estimating reserves.

As at December 31, 2021 and 2020, the carrying values of wells, platforms, and other facilities, shown as 'Oil and gas properties' under 'Property and equipment', amounted to nil. In 2021, 2020 and 2019, depletion expense incurred by the Group amounted to nil, ₱3,551 and ₱34,535 respectively (see Notes 9 and 14).

Recoverability of property and equipment
The Group assesses its property and equipment in each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs of disposal and value in use. The assessments require the use of estimates and assumptions such as long-term oil prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, decommissioning costs, exploration potential, reserves and operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs.

In 2021, 2020 and 2019, the Group recognized provision for impairment losses on property and equipment amounting to nil, ₱5,895 and ₱194,557, respectively. As at December 31, 2021 and 2020, the carrying value of property and equipment amounted to ₱1,850 and ₱2,125, respectively, net of allowance for impairment loss of ₱618,967 and ₱605,218 as at December 31, 2021 and 2020, respectively (see Note 9).

Impairment testing of goodwill
The Group reviews the carrying values of goodwill for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs impairment test of goodwill annually every December 31. Impairment is determined for goodwill by assessing the recoverable amount of the CGU or group of CGUs to which the goodwill relates. Assessments require the use of estimates, judgements and assumptions such as forecasted oil and gas prices, estimated volume of reserves, capital expenditures, production and operating costs and discount rate. If the recoverable amount of the unit exceeds the carrying amount of the CGU, the CGU and the goodwill allocated to that CGU shall be regarded as not impaired. Where the recoverable amount of the CGU or group of CGUs is less than the carrying amount of the CGU or group of CGUs to which goodwill has been allocated, an impairment loss is recognized.

In 2021, 2020 and 2019, the Group wrote off goodwill amounting to ₱979,990, nil and ₱4,196, respectively. The carrying value of goodwill as at December 31, 2021 and 2020 amounted to ₱254,397 and ₱1,234,387, respectively (see Note 4).

Determination of the NRV of inventories
The NRV of coal and petroleum inventory is computed based on estimated selling price less estimated costs to sell. The NRV of materials and supplies is computed based on their estimated sales value at their current condition. Based on these estimates, an inventory write-down is recognized for any excess of carrying value over the NRV of the inventory. The carrying values of the inventories of the Group amounted to ₱4,240 and ₱2,925 as at December 31, 2021 and 2020, respectively (see Note 7). Allowance for probable inventory losses amounted to nil as at December 31, 2021 and 2020 (see Note 7).

Estimation of provision for plug and abandonment costs
Plug and abandonment costs will be incurred by the Group at the end of the operating life of its oil fields. The Group assesses its plug and abandonment provision at each reporting date. The ultimate plug and abandonment costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, estimates of the extent and costs of decommissioning activities, the emergence of new restoration techniques or experience at other production sites, cost increases as compared to the inflation rates and changes in discount rates. The expected timing, extent and amount of expenditure may also change, for example, in response to changes in oil reserves or changes in laws and regulations or their interpretation. Therefore, significant estimates and assumptions are made in determining the provision for decommissioning. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

The provision at reporting date represents management's best estimate of the present value of the future plug and abandonment costs required.

Provision for plug and abandonment costs amounted to ₱132,152 and ₱5,310 as at December 31, 2021 and 2020, respectively (see Note 9). The Group recognized accretion of interest amounting to ₱99, ₱719 and ₱582 in 2021, 2020 and 2019, respectively. The discount rate used by the Group to value the provision as at December 31, 2021 and 2020 is 2.58% and 1.85%, respectively.

Recoverability of deferred oil and gas exploration costs
Deferred exploration costs pertain to expenditures incurred in the exploration stage of its oil and gas assets. Oil and gas assets relate to projects that are currently on-going. These deferred exploration cost shall be assessed for impairment when the facts and circumstances suggest that the carrying amounts exceeds the recoverable amounts. The ability of the Group to recover its deferred exploration costs would depend on the commercial viability of the reserves. In addition, the recovery of these costs also depends upon the success of exploration activities and future development or the discovery of oil and gas producible in commercial quantities. Allowances shall be provided for oil and gas assets that are specifically identified to be unrecoverable.

In 2021 and 2020, allowance for impairment loss recognized amounted to ₱3,421,436 and nil, respectively. The deferred oil and gas exploration costs have a carrying value amounting to ₱2,243,914 and ₱5,316,062 as at December 31, 2021 and 2020, respectively, net of allowance for unrecoverable portion amounting to ₱4,120,849 and ₱661,771 as at those dates, respectively (see Note 11).

Assessing realizability of deferred tax assets
The Group reviews the carrying amounts at each reporting period and adjusts the balance of deferred tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

The carrying amount of deferred tax assets amounted to ₱15,410 and ₱43,495 as at December 31, 2021 and 2020, respectively. Details of excess MCIT, NOLCO and temporary differences in which no deferred tax assets were recognized are provided in Note 17.

4. Business Combination

The following table summarizes the Group's goodwill:

	2021	2020
SC 72 (Recto Bank)	**₱254,397**	₱254,397
Peru block Z-38	**–**	979,990
	₱254,397	₱1,234,387

Acquisition of Pitkin
On April 5, 2013, PXP increased its stake in Pitkin from 18.46% to 50.28% through acquisition of additional 46,405,000 shares at US$0.75 per share or a total of US$34.8 million, which resulted to PXP obtaining control over Pitkin. As a result of the acquisition, PXP gained control of Pitkin's key assets including participating interests in Peru Block Z-38 and Vietnam Block 07/03.

The goodwill of ₱1,534,168 arising from the acquisition pertains to the revenue potential the Group expects from Pitkin's Peru Block Z-38 and Vietnam Block 07/03.

As at the acquisition date, the carrying value and fair value of the net identifiable assets and liabilities of the Pitkin are as follows:

	Carrying Value in the Subsidiary	Fair Value Recognized on Acquisition
Assets		
Cash and cash equivalents	₱803,379	₱803,379
Receivables	40,916	40,916
Inventories	1,035	1,035
Deferred oil and gas exploration costs	407,219	5,521,113
Property and equipment	2,801	2,801
Other noncurrent assets	6,842	6,842
	1,262,192	6,376,086
Liabilities		
Accounts payable and accrued liabilities	48,391	48,391
Deferred tax liability	–	1,534,168
	48,391	1,582,559
Total identifiable net assets	₱1,213,801	₱4,793,527

Total identifiable net assets	₱4,793,527
Total consideration	6,327,695
Goodwill arising from acquisition	₱1,534,168

Goodwill attributable to:	
Peru block Z-38	₱979,990
Vietnam Block 07/03	554,178
	₱1,534,168

On July 16, 2013 and October 25, 2013, Pitkin completed the sale of all its interests in its wholly-owned subsidiaries, Vietnam American Exploration Company LLC (Vamex), with a 25% participating interest in Vietnam Block 07/03, and Lonsdale, Inc., respectively. Goodwill attributable to Vietnam Block 07/03 at time of acquisition of Pitkin by PXP was derecognized amounting to ₱554,178.

In business combinations, the identifiable assets acquired and liabilities assumed are recognized at their fair values at the acquisition date. Deferred tax liabilities are provided on temporary differences that arise when the tax bases of the identifiable assets acquired and liabilities assumed are not affected by the business combination or are affected differently.

Acquisition of BEMC and FEC

On September 24, 2010, pursuant to an internal reorganization whereby all of the energy assets of PMC are to be held by PXP, PMC transferred all of its investment in shares of stock in BEMC and FEC (see Note 1). This qualified as a business combination under common control. The investment in FEL was previously recognized as an investment in associate. Goodwill arising from the business combination amounted to ₱258,593.

	Amount
Goodwill attributable to:	
SC 72 (Recto Bank)	₱254,397
SC 14 C-1 Galoc and SC 14 A & B Nido - Matinloc	4,196
	₱258,593

Total cash and cash equivalents acquired from the business combinations under common control amounted to ₱252,861.

The Group performed its annual impairment test. In 2019, the Group wrote off its goodwill relating to SC 14 C-1 Galoc Oil Field, SC 14 A & B Nido - Matinloc amounting to ₱4,196 which was triggered by downward reserves revisions. In 2021, the Group wrote off goodwill amounting to ₱979,990 related to Peru block Z-38 triggered by expiration of the service contract effective July 2021 (See Note 11).

In assessing whether an impairment is required, the carrying value of the asset or CGU is compared with its recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs of disposal and value in use. Given the nature of the Group's activities, information on the fair value of an asset is usually difficult to obtain unless negotiations with potential purchasers or similar transactions are taking place. Consequently, the recoverable amount of the CGUs was determined based on a value in use calculation using a discounted cash flow model from financial budgets covering the duration of the service contracts for the oil and gas fields. Based on its analysis, management concluded that the remaining goodwill as at December 31, 2021 and 2020 is recoverable.

The calculation of the value in use for the CGUs incorporates the following key assumptions:

a) *forecasted oil and gas prices* - which are estimated with reference to external market forecasts of Brent crude prices and Japan liquefied natural gas prices;
b) *volume of resources* - which are based on resources report prepared by third party competent persons;
c) *capital expenditure, production and operating costs* - which are based on the Group's historical experience, approved work programs and budgets, and latest life of well models; and
d) *discount rate* - which represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is derived from the Group's weighted average cost of capital (WACC), with appropriate adjustments made to reflect the risks specific to the CGU and to determine the pre-tax rate. The WACC takes into account both debt and equity. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate. The pre-tax discount rates applied to cash flow projections is 11.9% and 11.5% as at December 31, 2021 and 2020.

Value in use is most sensitive to changes in forecasted oil and gas prices and discount rate. With regard to the assessment of value in use for SC72 Recto Bank, management believes that there are no reasonably possible changes in any of the above key assumptions that would cause the carrying value of the CGU to materially exceed its recoverable amount.

5. Cash and Cash Equivalents

	2021	2020
Cash on hand and in banks	**₱267,959**	₱140,313
Short-term investments	**261,513**	2,695
	₱529,472	₱143,008

Cash in banks earns interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to three months depending on the cash requirements of the Group and earn interest at the respective short-term investments rates. Interest income amounting to ₱113, ₱695, and ₱2,566 was recognized in 2021, 2020 and 2019, respectively. The Group has cash in bank and short-term investments denominated in US$ amounting to US$9,884 and US$2,542 as at December 31, 2021 and 2020, respectively (see Note 20).

6. Trade and Other Receivables - net

	2021	2020
Trade	**₱29,586**	₱27,803
Others	**77**	5,706
	29,663	33,509
Less allowance for ECL of receivables	**711**	671
	₱28,952	₱32,838

Trade receivables are non-interest bearing and are currently due and demandable. These include receivables from the sale of petroleum products. Other receivables pertain to cash calls paid to oil operators pending liquidation. These are liquidated upon submission of the financial reports by the operator in the subsequent month following the month of cash call.

The Group has no related party balances included in the trade and other receivables account as at December 31, 2021 and 2020.

Movements in allowance for impairment loss on trade receivables in 2021 and 2020 are as follows:

	2021	2020
Balances at January 1	**₱671**	₱709
Write-off	**(10)**	–
Translation adjustment	**50**	(38)
Balances at December 31	**₱711**	₱671

7. Inventories - net

The cost of petroleum inventories amounted to ₱4,240 and ₱2,925 as at December 31, 2021 and 2020, respectively. The cost of petroleum inventories recognized as expense and included in 'Petroleum production costs' amounted to ₱40,586, ₱34,134, and ₱85,517 in 2021, 2020 and 2019, respectively (see Note 14).

As at December 31, 2021 and 2020, there are no depletion expenses capitalized as part of petroleum inventories.

8. Other Current Assets

	2021	2020
Input VAT	**₱16,490**	₱10,937
Prepaid expenses	**6,262**	5,630
	₱22,752	₱16,567

Prepaid expenses include prepaid rentals, insurance premiums, prepaid taxes, advances for liquidations and other expenses paid in advance.

In 2021 and 2020, the Group wrote off prepaid expenses amounting to nil and ₱335, respectively, as management assessed that these are no longer recoverable.

9. Property and Equipment - net

	2021				
	Oil and Gas Properties	**Machinery and Equipment**	**Surface Structures**	**Construction in-progress**	**Total**
Cost					
Balances at January 1	**₱931,559**	**₱242,229**	**₱37,659**	**₱759**	**₱1,212,206**
Additions	**–**	**268**	**–**	**–**	**268**
Effect of translation adjustment	**44,356**	**3,629**	**–**	**–**	**47,985**
Balances at December 31	**975,915**	**246,126**	**37,659**	**759**	**1,260,459**
Accumulated depletion and depreciation					
Balances at January 1	**505,219**	**90,758**	**8,886**	**–**	**604,863**
Depletion and depreciation (Notes 7 and 14)	**–**	**586**	**–**	**–**	**586**
Effect of translation adjustment	**30,716**	**3,477**	**–**	**–**	**34,193**
Balances at December 31	**535,935**	**94,821**	**8,886**	**–**	**639,642**
Accumulated impairment					
Balances at January 1	**426,340**	**149,346**	**28,773**	**759**	**605,218**
Effect of translation adjustment	**13,640**	**109**	**–**	**–**	**13,749**
Balances at December 31	**439,980**	**149,455**	**28,773**	**759**	**618,967**
Net book values	**₱–**	**₱1,850**	**₱–**	**₱–**	**₱1,850**

	2020				
	Oil and Gas Properties	Machinery and Equipment	Surface Structures	Construction in-progress	Total
Cost					
Balances at January 1	₱975,601	₱253,914	₱37,659	₱759	₱1,267,933
Additions	525	1,511	–	–	2,036
Change in estimate on provision for plug and abandonment costs	(3,824)	–	–	–	(3,824)
Effect of translation adjustment	(40,743)	(13,196)	–	–	(53,939)
Balances at December 31	931,559	242,229	37,659	759	1,212,206
Accumulated depletion and depreciation					
Balances at January 1	533,272	93,553	8,886	–	635,711
Depletion and depreciation (Notes 7 and 14)	272	566	–	–	838
Effect of translation adjustment	(28,325)	(3,361)	–	–	(31,686)
Balances at December 31	505,219	90,758	8,886	–	604,863
Accumulated impairment					
Balances at January 1	432,582	151,383	28,773	759	613,497
Impairment	5,895	–	–	–	5,895
Effect of translation adjustment	(12,137)	(2,037)	–	–	(14,174)
Balances at December 31	426,340	149,346	28,773	759	605,218
Net book values	₱–	₱2,125	₱–	₱–	₱2,125

In 2021, 2020 and 2019, the Group has recognized provision for impairment of property and equipment amounting to nil, ₱5,895 and ₱194,557, respectively.

The cost of fully depreciated machinery and equipment still being used in the Group's operations amounted to ₱349 as at December 31, 2021 and 2020.

The details of the Group's provision for plug and abandonment costs are as follows:

	2021	2020
Beginning balances	**₱5,310**	₱19,241
Effect of change in estimate:		
Recognized in the consolidated statements of income	**122,863**	910
Recognized as adjustment to oil and gas properties	**–**	(3,824)
Actual plug and abandonment costs	**(700)**	(11,354)
Accretion	**99**	719
Effect of translation adjustment	**4,580**	(382)
	132,152	5,310
Less noncurrent portion	**132,152**	5,310
Current portion	**₱–**	₱–

The noncurrent portion of the provision for plug and abandonment costs amounting to ₱132,152 and ₱5,310 as at December 31, 2021 and 2020, respectively, are recorded under 'Other noncurrent liabilities' in the consolidated statements of financial position (see Note 24).

Discount rate of 2.58% and 1.85% in 2021 and 2020, respectively, was used to compute the present values of provision for plug and abandonment costs for the Galoc field.

SC 14A, B&B-1 Nido, Matinloc & North Matinloc Fields

Production in the Nido and Matinloc fields was terminated permanently on March 13, 2019. Total production was 22,173 barrels in 2019, or an average of 185 barrels of oil per day. Pilipinas Shell remained the sole buyer of the crude oil in 2019.

Nido started oil production in 1979 while Matinloc was put in place in 1982. The final inception-to-date production figures for the two fields are: 18,917,434 bbls for Nido and 12,582,585 bbls for Matinloc. The North Matinloc Field, which was in production from 1988 to 2017 produced a total of 649,765 bbls. The total production for the three fields is 32,149,784 bbls.

In May 2019, seven production wells in Nido (3 out of 5), Matinloc (3), and North Matinloc (1) were successfully plugged and abandoned, while two remaining Nido wells were only partially abandoned due to difficulties encountered during operations. Consequently, the Group incurred plug and abandonment costs amounting to ₱38,428 and accrued a provision of ₱10,659 for the plug and abandonment of the remaining Nido wells in 2019 (see Notes 9 and 14). The plug and abandonment of the two wells were successfully carried out in early October 2020 and the actual costs incurred for the plug and abandonment of these wells amounted to ₱11,354, resulting in an additional recognition of plug and abandonment costs amounting to ₱910 in 2020 (see Note 14).

Following the suspension of field operations and the plug and abandonment of the wells in 2019 (except the two remaining Nido wells), Philodrill conducted the stripping and disposal of equipment and materials aboard the production platforms from June to October 2019. In December 2019, all production platforms were turned over to the DOE which, in turn, had been handed over to the Armed Forces of the Philippines for defense use. On June 26, 2020, a Deed of Donation and Acceptance was signed by DOE with the Department of National Defense to formalize the transfer of ownership of the

Nido and Matinloc platforms to the Armed Forces of the Philippines which will now use the platforms for defense purposes.

On October 2020, the two remaining Nido wells were plugged and abandoned successfully. Following the cessation of operations and completion of plug and abandonment of all production wells, to the consortium have agreed to surrender the SC 14A, B&B-1 blocks to the DOE within the first half of 2021. Additional cost incurred to wind up the fields amounted to ₱700 in 2021. As at December 31, 2021, the surrender of the blocks is awaiting final approval from the DOE.

SC 14 Block C-1 (Galoc)
As at December 31, 2021, the Galoc Field has already produced about 23.42 million barrels of oil since start of production in October 2008.

On July 12, 2018, Tamarind Galoc Pte Ltd, a subsidiary of Singapore-based Tamarind Resources (Tamarind), acquired Nido Petroleum's subsidiaries Galoc Production Company WLL (GPC) and Nido Production (Galoc) Pte Ltd, giving Tamarind 55.88% equity and operatorship of the Galoc Field.

In 2021, 2020 and 2019, the field produced 630,250, 695,247 and 746,189 barrels of oil, respectively. In 2021, three liftings were made in April, July, and November with a total of 631,948 barrels sold. In 2020, three liftings were made in March, July, and November with a total of 750,506 barrels sold to refineries in the region. In 2019, three liftings were made in January, June, and November with a total of 993,761 barrels sold. The Group's share in revenue amounted to ₱64,198, ₱30,250 and ₱72,499 in 2021, 2020 and 2019, respectively. (see Note 23)

On May 7, 2020, GPC informed the DOE of the cessation of operation for Galoc Field starting September 24, 2020. This comes after GPC's receipt of a Notice of Termination from Rubicon Offshore International (ROI), the owner of the floating production storage and offloading (FPSO) vessel, Rubicon Intrepid. GPC has also requested approval of the initial drawdown from the fund set-up under the DOE-approved Galoc Abandonment Plan for the implementation of the field suspension plan.

In September 2020, the Galoc consortium negotiated with ROI for the sale of the Rubicon Intrepid which allowed oil production in the Galoc Field to continue beyond the original cessation schedule of September 24, 2020. Tamarind formed a new subsidiary, Philippines Upstream Infrastructure (PUI), to acquire the FPSO from ROI. GPC and ROI then entered into a transition operations and maintenance (O&M) contract to allow the current ROI crew to continue managing FPSO operations during a transition period that will last for about six months. Finally, GPC entered into a 24-month O&M contract with Three60 Energy, an energy services provider, who took over the FPSO operations after the transition period.

On September 14, 2020, one of the consortium partners issued a notice of withdrawal from SC 14 C-1. The participating interest of FEL, held through FEPCO, increased from 2.28% to 3.2103% as a result of DOE's approval of the Deed of Assignment which was accepted by FEPCO in January 2021.

SC 14 Block C-2 (West Linapacan)
The West Linapacan A Field was discovered in 1990 and produced over 8 million barrels of oil from 1992 before being shut-in in 1996. The Consortium continues with evaluating the viability of redeveloping the West Linapacan A Field. As at December 31, 2021 and 2020, the provision for plug and abandonment cost amounted to ₱127,522 and nil, respectively.

10. Leases

The Company has a lease contract for a parcel of land in used in its operations. Term of lease is 27 years.

The Group also has certain leases of office space and machinery and equipment with lease terms of 12 months or less and leases of machinery and equipment with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

The rollforward analysis of this account follows:

	2021	2020
Cost		
Balances at January 1	₱4,873	₱5,150
Effect of translation adjustment	302	(277)
Balances at December 31	5,175	4,873
Accumulated depreciation		
Balances at January 1	829	435
Depreciation (Note 14)	423	444
Effect of translation adjustment	59	(50)
Balances at December 31	1,311	829
	₱3,864	₱4,044

The following are the amounts recognized in the consolidated statement of income:

	2021	2020
Expenses relating to short-term leases (included in general and administrative expenses)	₱4,876	₱4,876
Depreciation expense of ROU assets	423	444
Interest expense on lease liabilities	405	416
Expenses relating to low-value assets (included in general and administrative expenses)	224	224
	₱5,928	₱5,960

The rollforward analysis of lease liabilities follows:

	2021	2020
Balances at January 1	₱5,207	₱5,294
Payments	(556)	(503)
Interest expense	405	416
Balances at December 31	5,056	5,207
Less noncurrent portion	4,447	4,654
Current portion	₱609	₱553

Shown below is the maturity analysis of the undiscounted lease payments:

	2021	2020
1 year	**₱609**	₱553
more than 1 year to 2 years	**670**	609
more than 2 years to 3 years	**736**	670
more than 3 years to 4 years	**810**	736
more than 5 years	**4,337**	5,147

11. Deferred Oil and Gas Exploration Costs - net

The rollforward analysis of this account are as follows

	2021	2020
Cost		
Balances at January 1	**₱5,977,833**	₱5,996,847
Additions	**202,023**	53,692
Translation adjustment	**184,907**	(72,706)
Balances at December 31	**6,364,763**	5,977,833
Less: Allowance for impairment losses		
Balances at January 1	**661,771**	696,188
Impairment	**3,421,436**	–
Translation adjustment	**37,642**	(34,417)
Balances at December 31	**4,120,849**	661,771
Net book values	**₱2,243,914**	₱5,316,062

As at December 31, 2020, carrying value of Peru exploration assets amounted to ₱3,421,436 and the remaining balance pertain to Philippine exploration assets. As at December 31, 2021, the total carrying value of deferred exploration costs pertains to Philippine exploration assets.

PXP, Pitkin and FEL, through their subsidiaries, have various participating interests in petroleum service contracts as follows as at December 31, 2021:

	Participating Interest		
Service Contract	PXP	Pitkin	FEL
SC 6A (Octon Block)	5.56%	–	5.56%
SC 6 and 6B (Cadlao and Bonita Block)[1]	–	–	2.46%
SC 14 (Tara PA)	–	–	10.00%
SC 14 Block A (Nido)	–	–	8.47%
SC 14 Block B (Matinloc)	–	–	12.41%
SC 14 Block B-1 (North Matinloc)	–	–	19.46%
SC 14 Block C-1 (Galoc)[2]	–	–	3.21%
SC 14 Block C-2 (West Linapacan)	–	–	9.10%
SC 14 Block D (Retention Block)	–	–	8.17%
SC 40 (North Cebu Block)	–	–	100.00%

(Forward)

Service Contract	Participating Interest PXP	Pitkin	FEL
SC 72 (Recto Bank)	–	–	70.00%
SC 74 (Linapacan)	70.00%	–	–
SC 75 (Northwest Palawan)	50.00%	–	–
Peru Block Z-38	–	25.00%	–

[1]In December 2019, DOE approved the farm-in agreement with Manta Oil Company Ltd (Manta). As a result, FEL's interest in SC 6B has decreased to 2.46%. In 2021, Manta has withdrawn as Operator and Contractor in SC 6B as it was unable to fulfill its farm-in commitment. Following Manta's withdrawal, its 70% interest was reassigned to the Consortium partners and the operatorship reverted to Philodrill.
[2] On September 14, 2020, a member of the Consortium issued a notice of withdrawal from SC 14C-1 and Joint Operating Agreement. GPC2's interest was shared by a majority of the remaining members. The participating interest of Forum, held through FEPCO, has temporarily increased to 3.2103% as a result of the withdrawal. The transfer was officially accepted by FEPCO in January 2021.

SC 72 (Recto Bank)
SC 72 was awarded on February 15, 2010. It covers an area of 8,800 square kilometers and contains the Sampaguita Gas Discovery which has a potential to contain In-Place Contingent Resources of 2.6 trillion cubic feet and In-Place Prospective Resources of 5.4 trillion cubic feet as reported by Weatherford Petroleum Consultants (Weatherford) in 2012.

The results of the study were used to define the location of two wells, to be named Sampaguita-4 and Sampaguita-5, which if successfully drilled, would be expected to increase the amount of potentially recoverable resources. The drilling of two wells is part of the work programme of FEL for the SP 2 of SC 72 which was supposed to be accomplished by August 2013. However, FEL was unable to commence the drilling programme because of maritime disputes between the Philippine and Chinese governments.

In February 2015, FEL received a letter from the DOE confirming the suspension of offshore exploration activities in SC 72 while a maritime dispute between Philippines and China remains in parts of the West Philippine Sea. The suspension became effective from December 15, 2014 until the date when the DOE notifies FEL to resume operations.

In 2015, the United Nations Arbitral Tribunal (UNAT) unanimously decided that it has jurisdiction over the maritime dispute between China and the Philippines over the West Philippine Sea, and it was the proper body to decide on the case filed by the Philippines in January 2013. It also ruled that China's decision not to participate in these proceedings does not deprive the Tribunal of jurisdiction and that the Philippines' decision to commence arbitration unilaterally was not an abuse of the United Nations Convention on the Law of the Sea (UNCLOS) dispute settlement procedures. On July 12, 2016, the UNAT ruled that Recto Bank (Reed Bank) where SC 72 lies, is within the Philippines' Exclusive Economic Zone (EEZ) as defined under the UNCLOS.

On November 20, 2018, a Memorandum of Understanding (MOU) on Cooperation on Oil and Gas Development (COGD) between the Philippines and Chinese governments was signed by Philippines's Department of Foreign Affairs (DFA) and the Chinese Foreign Minister. The MOU paves the way for the creation of an inter-governmental Steering Committee that will work out a program of cooperation that could lead to joint exploration, as well as the creation of one or more Inter-Entrepreneurial Working Groups.

In early December 2018, the DOE directed FEL to request for the lifting of the *force majeure* over SC 72. Such request was made through a letter sent by FEL to DOE on December 21, 2018. As a service contractor in SC 72, FEL is bound by DOE's directive over the lifting of the *force majeure* and the resumption of activities in SC 72.

In October 2019, the Steering Committee was established with the Philippine contingent to be comprised of officials from the DFA and the DOE while the Chinese contingent will be comprised of officials of their Ministry of Foreign Affairs, the National Energy Administration, the Office of Foreign Affairs Commission and the Communist Party of China Central Committee.

Under the MOU, the Steering Committee will create one or more inter-Entrepreneurial Working Groups that will agree on entrepreneurial, technical, and commercial aspects of cooperation on certain areas in the West Philippine Sea. China has appointed China National Offshore Oil Corporation as representative to the Working Groups. FEL will be the representative to the SC 72 Working Group.

Complementary with the MOU and in preparation for a possible lifting of *force majeure* over SC 72 at that time, FEL commissioned an Australia-based geophysical contractor to reprocess the 2011-acquired 3D dataset (565 sq. km) over the Sampaguita Field, using Broadband Prestack Depth Migration. The reprocessing commenced in October 2018 and was completed in June 2019. This was followed by an interpretation of the newly reprocessed seismic data and the preparation of an appraisal plan for the Sampaguita Field.

A letter from the DOE dated October 14, 2020 which was received on October 16, 2020 stated that the *force majeure* over SC 72 has been lifted effective immediately and that exploration activities were to resume over the block. FEL has 20 months (equivalent to the remaining SP 2 period from the effective date of the *force majeure*) to complete the SP 2 work commitment comprising the drilling of two wells.

A Technical Services Agreement (TSA) with AWT International (AWT), a third-party upstream petroleum consultancy company, was signed effective July 1, 2021. AWT provides drilling management and manpower support services to deliver FEL's two commitment wells in the first half of 2022.

As at December 31, 2021, drilling preparations are progressing accordingly. The Work Program and Budget (WP&B) and Annual Procurement Plan (APP) for 2022 were submitted to the DOE on December 31, 2021.

Peru Block Z-38
In April 2007, Block Z-38 was awarded to Pitkin. Farm-out agreement has been made by Pitkin in which it resulted to Karoon obtaining operating interest of 75%. The block covers an area of 4,875 square kilometers and is located in the Tumbes Basin offshore NW Peru.

In 2014, the Peruvian oil and gas regulator, Perupetro S.A., approved the application to place Peru Block Z-38 into *force majeure*. The application for *force majeure* was requested on the basis of the Operator, Karoon, being unable to secure a suitable drilling unit within the required timeframe on the Pacific side of the Americas. The application of *force majeure* was granted effective September 1, 2013. As a result, the term of the current third exploration period will have approximately 22 months remaining once the *force majeure* is lifted.

On January 10, 2018, Karoon announced that it has executed a farm-in agreement with Tullow Peru Limited, a wholly owned subsidiary Tullow, wherein Tullow will acquire a 35% interest in the block on the following terms: a.) fund 43.75% of the cost of the first exploration well, Marina-1X, capped at US$27.5 million (at 100%), beyond which Tullow will pay its 35% share; and b.) pay US$2 million upon completion with a further US$7 million payable upon declaration of commercial discovery and submission of a development plan to Perupetro.

Following the farm-in of Tullow, Karoon's interest decreased to 40% while Pitkin's interest remained at 25%.

Effective September 12, 2018, Perupetro approved the lifting of *force majeure* in Block Z-38 upon Karoon's request. In view of this, the third exploration period, will now expire on July 1, 2020.

The Marina-1X well was spudded on January 26, 2020 in 362m water depth. It reached a total depth of 3,021 meters MD (2,889 meters TVD) on February 15, 2020. Mudlogging and Logging While Drilling (LWD) results from the primary targets in the Tumbes Formation indicated that the well encountered thin water-bearing sands with no oil and only minor gas shows.

Following the completion of the Marina-1X exploration well drilling campaign during the first quarter of 2020, the evaluation of the technical data continued during the year. Due to delays in the drilling of the well in the current exploration phase, a six-month extension was requested and granted by Perupetro, extending the end of the current third period to December 31, 2020.

Due to the temporary closure of Karoon's Peru office due to the COVID-19 lockdown and quarantine requirements declared by the Peruvian Government, the Operator applied for *force majeure* on Block Z-38, which was granted by the authorities on July 14, 2020. The *force majeure* applies from March 16, 2020 until such time as relevant lockdown requirements are removed.

On November 17, 2020, Tullow has issued a Notice of Withdrawal from the contract and joint operating agreement effective December 31, 2020. As a result, Karoon will be reacquiring Tullow's 35% interest and Pitkin maintaining its 25% interest in Peru Z-38.

On November 27, 2020, Perupetro lifted the *force majeure* and advised Karoon that the last day of the third exploration period will be on July 27, 2021.

In April 2021, Karoon notified Pitkin that it does not wish to enter the fourth exploration period and will withdraw from the contract and the joint operating agreement. In view of this, Pitkin sent a Notice of Dispute to Karoon on May 25, 2021 and issued a claim against Karoon for breach of its farm-in agreement obligations that include fully funding all exploration activities until the second well is drilled. On July 27, 2021, the license contract for Block Z-38 expired due to Karoon's failure to enter the fourth exploration period and to carry Pitkin to one well under the farm-in agreement.

On September 17, 2021, Pitkin and Karoon entered into a Deed of Settlement and Release to settle all disputes in connection with Block Z-38. Under the deed, Karoon will pay Pitkin US$9.6 million in cash in full and final settlement of all claims by Pitkin in the block. The deed became effective upon the receipt of the cash settlement by Pitkin on October 4, 2021. Gain on settlement of deed recognized in 2021 amounted to ₱442,188, net of related consultancy and legal expenses.

SC 6A (Octon Block)
The SC covers an area of 1,080 square kilometers. On July 11, 2011, Pitkin acquired 70% interest and operatorship of the block.

In 2014, Pitkin elected not to enter Phase 2 of the Farm-in Agreement and returned its 70% participating interest to the farm-out partners. As a result of Pitkin's exit, Philodrill re-assumed the block's operatorship beginning January 1, 2015 while PXP and FEL's participating interests in the block returned to their pre-farm out interests of 5.56% each. The DOE approved the DOA on May 14, 2015.

The 2019 work program included the completion of seismic attribute analysis of the northern part of SC 6A to characterize the target reservoirs and determine their distribution in terms of porosity, thickness, and lithology.

For 2020, the DOE approved a work program which consists of geological and geophysical (G&G) studies in support of establishing a final well location and well design to test the hydrocarbon potential of the Malajon-Salvacion-Saddle Rock anticlinorium, and a continuation of G&G work to identify additional resources at the Octon South structure and other opportunities immediately around the Octon Field to support its development.

In June 2020, LMKR, a private petroleum technology company based in Dubai, completed a pilot study on the Malajon area using 3D seismic and well data. The study shows the Malajon structure having a good potential and thus requires further detailed analysis. LMKR is also able to identify four sand packages within the Galoc Clastic Unit (GCU) after generating several elastic properties.

A Quantitative Inversion (QI)/Reservoir Characterization study was approved by the Consortium aimed at generating pay probability maps and identifying prospective zones that could be targets for any future well. It also includes detailed attribute analysis as several channelized sands within the GCU have been identified during the pilot study. The study was completed in December 2020.

The current term of SC 6A is set to expire on February 28, 2024, which gives the Consortium limited time to drill an exploratory well and to develop a field in case of a discovery. In view of this, the Consortium decided to surrender the contract effective March 31, 2021. The surrender of the SC is still awaiting DOE's approval.

<u>SC 6 and 6B (Cadlao and Bonita Block)</u>
An in-house evaluation completed by Philodrill in early 2016 shows the East Cadlao Prospect has marginal resources which cannot be developed on a "stand-alone" basis. However, it remains prospective being near the Cadlao Field, which lies in another contract area. In view of this, the Consortium has requested for the reconfiguration of SC 6B to append the Cadlao Field for possible joint development in the future. On March 14, 2018, the DOE approved the annexation of SC 6 to SC 6B.

On October 17, 2019, the farm-in agreement (FIA), DOA and transfer of operatorship from Philodrill to Manta Oil Company Ltd. (Manta) were approved conditionally by the DOE, requiring Manta to submit additional financial documents. Manta has also been tasked to submit a Plan of Development (POD) for Cadlao before the end of 2021. Under the FIA, Manta will carry the consortium up to first oil to earn 70% interest. As a result, Forum's interest in SC 6B decreased to 2.4546% from 8.182% following DOE's approval of the farm-in.

On December 6, 2021, Manta has withdrawn as Operator and Contractor in SC 6B as it was unable to fulfill its farm-in commitment to submit a POD for Cadlao Field before the end of 2021. Following Manta's withdrawal, its 70% interest was reassigned to the Consortium partners and the operatorship reverted to Philodrill. The SC 6B Consortium agreed to appoint Nido Petroleum Philippines Pty Ltd (NPP) as the Technical Operator to carry out the technical work, which includes the redevelopment of the Cadlao Field.

In December 2021, Philodrill has received a proposal from a third party, with the latter intending to increase its interest in SC 6B by carrying the farming-out companies in exploration and development costs up to first commercial production. Negotiations on the farm-in terms were ongoing as at December 31, 2021.

<u>SC 14 Block C-2 (West Linapacan)</u>
West Linapacan is located in 300 to 350 meters of water, approximately 60 kilometers offshore from Palawan Island in SC 14 Block C-2 in the NW Palawan Basin, Philippines. It comprises two (2) main oil-bearing structures - West Linapacan A and B - and several seismic leads. The SC was entered into

on December 17, 1975 between the Petroleum Board and the original second parties to the contract. Pitkin had a 58.30% interest in this SC pursuant to a farm-in agreement approved by the DOE on September 11, 2008. However, on February 7, 2011, Pitkin concluded a farm-out agreement (FOA) whereby it transferred 29.15% participating interest to RMA (HK) Limited in exchange for being carried through the drilling and testing of the West Linapacan A appraisal/development well. The FOA was approved by the DOE on July 4, 2011.

On March 12, 2015, the farm-in agreement with RMA was terminated and Pitkin returned all of its participating interest to the original second parties to the contract. FEL's interest in the block increased to 9.10%.

In 2019, expressions of interest were received from foreign firms on the possible re-development of the West Linapacan A Field. The process of finalizing the documents, including the Deed of Assignment (DOA) arising out of the Sale and Purchase Agreement (SPA) and FOA, was severely delayed by the COVID-19 situation. An interested party was previously given until March 31, 2021 to finalize the agreements but it has requested an extension until June 30, 2021. The interested party eventually decided not to pursue its farm-in plans for the block. As a result of the interested party's exit, Philodrill re-assumed the block's operatorship and FEL's participating interest in the block returned to its pre farm-in interest of 9.10%.

The Consortium continues with evaluating the viability of redeveloping the West Linapacan A Field, which was discovered in 1990 and produced over 8 million barrels of oil from 1992 before being shut-in in 1996. An interpretation of the 3D seismic data was carried out in 2017.

The SC 14C-2 and SC 74 consortia conducted a joint Rock Physics and QI studies over the West Linapacan and Linapacan areas using existing 3D seismic and well data. The initial phase of the study was carried out and completed by Ikon in October 2019. The SC 14C-2 consortium decided not to proceed with the second phase of the QI Study in view of the impending entry of a third party to the block.

The Consortium commenced a technical study on the West Linapacan B Field by ERC Equipoise Limited (ERCE) that focuses on a review of available geologic and well data, digitization of well logs, reservoir modeling, and fracture analysis, to be followed by resource estimation. The Phase 1 of the study was completed in November 2021 with preliminary results indicating a stand-alone development for the West Linapacan B Field would not be economically viable. ERCE continued with the Phase 2 of the study which comprises the formulation of an appraisal/conceptual development and scoping economics involving the West Linapacan A and B Fields.

SC 40 (North Cebu Block)

In 2015, the management has finalized its assets review of SC 40 based on a more detailed Resource Estimation Report prepared by Petroleum Geo-Services (PGS) in 2013. The updated report indicated a significant increase in resources which triggered the reassessment and reversal of the impairment recognized in 2012. The results of the assets review and the competent person report were presented to the Risk and Resource Committee of the Board in 2015. The Committee has approved and adopted the report.

On November 21, 2019, FEL submitted the WP&B for 2020, which includes the continuation of the Gravity Interpretation, radioactive waste management, and the conduct of a Land Gravity Survey. This was approved by the DOE on December 2, 2019. The radioactive sources that were part of FEL's wireline logging tools were safely transported from Daanbantayan, Cebu and turned over to the Philippine Nuclear Institute in February 2020. Thereafter, FEL applied for the termination of its Radioactive Materials License. However, one of the conditions for the termination of license is the certification that the facilities are not contaminated. This will require measurement of radioactivity in the site post removal of the radioactive materials, which will have to wait until travel restrictions have been eased and/or the safety of the personnel from COVID-19 can be guaranteed.

The land gravity survey comprised the acquisition of gravity data along profiles in parts of the Municipality of Daanbantayan and Bogo City that aims to further delineate the carbonate bodies detected in the said areas by the initial 3D gravity modelling exercise in 2019. The survey began on February 18, 2020 and was completed on March 14, 2020. A total of 84 stations, 300m to 500m apart were acquired during the survey. After completing the correction of meter readings, coordinates, and elevations of gravity stations acquired during the survey, FEL forwarded the data to Cosine Global Limited (Cosine) for data reduction, processing, and interpretation. The report for the first phase of gravity interpretation was received from Cosine in early December and was submitted to the DOE in February 2021. The data acquired will be incorporated with the results of the previous gravity surveys and will be used to update the current depth model for northern Cebu. The second phase of the study involved depth modeling and identification of gravity prospects and leads. An initial report for the second phase was received from Cosine in the last quarter of 2021 and is being review by FEL's technical team.

FEL has started planning for the drilling of an onshore well, Dalingding-2. FEL has engaged the services of an operations geologist to prepare the geological program and prospect montage. The Dalingding Prospect is a reefal structure defined by seismic with Barili Limestone as the primary target. A well, Dalingding-1, was drilled by Cophil Exploration in 1996 and was plugged and abandoned as a dry hole with minor gas shows after reaching a total depth of 1,508 ft. Following FEL's recent re-evaluation of the prospect, it was concluded that Dalingding-1 did not reach the Barili target, which is estimated at 1,740 ft, or 232 ft below the well's total depth. The current plan is to drill a well down to at least 4,000 ft to penetrate the Barili and secondary targets underneath.

The WP&B and Annual Procurement Plan (APP) for 2022 were submitted to the DOE on December 14, 2021. Work programs planned for 2022 include the continuation of the Gravity Modelling Stage 2 and the preparation of drilling programs for two (2) wells.

SC 74 (Linapacan)

In September 2013, Pitkin, with its Consortium partner, Philodrill, acquired acreage on SC 74 in a competitive bid under the Philippine Energy Contracting Round 4, with operating interest of 70% and participating interest of 30%, respectively. It covers an area of 4,240 square kilometers and is located in shallow waters of the NW Palawan area. In June 2015, Philodrill and Philippine National Oil Company Exploration Corporation (PNOC EC) entered into a DOA whereby Philodrill transferred a 5% participating interest to PNOC EC.

On April 25, 2016, the DOE has approved the PSA and DOA dated February 24, 2016 transferring the 70% interest and operatorship of Pitkin to PXP.

The results of the Phase 1A test inversion under the joint QI study of SC 74 and SC 14-C2 by Ikon Science (Ikon) were presented to the consortium in October 2019. This involved inversion studies over a 30 sq. km 3D area that includes Linapacan A-1A, Linapacan B-1, West Linapacan A-1, A-2, and A-3, and West Linapacan B-1X wells. From the test, it was concluded that lithology is easier to identify than fluid type in limestone due to the latter's overlapping elastic properties.

In December 2019, the SC 74 consortium decided to proceed to Phase 2 of the project, which is an inversion study over a wider, 400 sq. km 3D data. Phase 2 commenced in February 2020 and was completed in June 2020. The QI study was able to predict the different lithological facies at the well. However, the study failed to differentiate the type and distribution of fluids in the limestone reservoirs due to the nature of the rock properties and poor to fair seismic data quality. Further seismic reprocessing has been recommended to preserve the true amplitudes for Amplitude Versus Offset inversion, and to improve seismic imaging especially in dipping structures. It was also suggested that shear sonic data be acquired in future wells for better correlation of well and seismic data.

Preliminary paleodating of samples acquired from the Calamian Islands fieldwork was unsuccessful due to the absence of calcareous nannofossils in the collected samples. This led to the decision to engage the services of Core Laboratories (CoreLab) Malaysia to conduct biostratigraphic and geochemical analyses. An initial 12 samples were sent to Selangor, Malaysia on October 31, 2019, and the results were submitted to the Parent Company in December 2019. Additional samples were sent in July 2020 for further testing as recommended by CoreLab. Analysis of the second batch of samples was completed in October 2020 and the final report was submitted to the DOE in March 2021.

The identification of the radiolarian fossils present in some of the chert samples lead to its age restriction from Late Permian to Middle Jurassic. Total Organic Carbon analysis of mudstone and shale samples resulted to an organic richness ranging from poor to excellent. Samples with good amount of organic matter may characterize them as possible source horizon, however, further geochemical tests suggest that these rocks have low hydrocarbon generative potential.

In March 2020, the DOE approved PXP's request for a one-year extension of SP 3 from December 13, 2019 to December 13, 2020 to allow the completion of G&G studies prior to entering the next SP. The 2020 WP&B, as approved by the DOE on December 20, 2019, focuses on the continuation of the current G&G studies that include the conduct of the Phase 2 of the QI study and the completion of the 'Biostratigraphic Age Dating Program and Geochemical Analyses' of samples collected from the Calamian Islands.

On July 14, 2020, the DOE approved PXP's application for *force majeure* over SC 74 Block for nine months starting from March 13, 2020 to December 13, 2020 because of delays in the implementation of some G&G activities following the imposition of business, health, and travel restrictions in the country due to the COVID-19 pandemic.

A gravity modelling exercise write-up was submitted by Cosine in September 2019. The report was reviewed by the Parent Company's geologists alongside with the ongoing leads and prospect generation using the gravity model and was submitted to the DOE in July 2020.

As part of SC 74 work commitment under SP 3, an in-house seismic interpretation of the 3D data is being conducted, since July 2020, which incorporates the results of Ikon's QI study. The technical evaluation could be divided into the mapping of time structural horizons, mapping of porous zones, time to depth conversion, and resource calculation. The interpretation work was completed in April 2021, while the resource calculation was finalized in August 2021. PXP's study indicates the Linapacan "A" and "B" Fields contain 43.16 and 27.43 million barrels (MMbbls) of contingent oil resources (P50), respectively. Additionally, PXP was able to identify two leads namely South Linapacan and Edapacan, located on the Southwest and North Eastern part of the Linapacan Field, respectively.

On May 4, 2021, PXP requested for another 12 months *force majeure* starting from April 2021 due to delays in the implementation of certain G&G activities following continuing COVID-19 restrictions and software fault. This was approved by the DOE on October 29, 2021, with the official letter received by PXP on November 10, 2021. In view of the *force majeure*, the third sub-phase will now expire on September 13, 2022.

The WP&B for 2022 was submitted to the DOE on December 1, 2021. It includes the conduct of an Independent Technical Evaluation and Resource Assessment of the Linapacan A and B Fields and South Linapacan Lead by ERCE who is also doing an evaluation study in the SC 14C-2 West Linapacan Block. The SC 74 study is expected to start in the first quarter of 2022 or as soon as the West Linapacan study is completed.

SC 75 (Northwest Palawan)
On January 3, 2014, the duly executed copy of Petroleum SC 75 was granted to the bid group comprising PXP, PNOC EC, and PetroEnergy Resources Corporation (PERC) with operating interest of 50%, participating interests of 35% and 15%, respectively. It covers an area of 6,160 square kilometers in the NW Palawan Basin.

The work commitment for SP 1 had been fulfilled in 2015 following the completion of the acquisition of 2,235 line-kilometers of 2D seismic data over SC 75 and simultaneous acquisition of marine magnetic and gravity data, broadband processing of the 2D seismic data, processing and interpretation of gravity and magnetic data, and G&G studies, including 2D seismic interpretation.

In 2015, the DOE advised the SC 75 Consortium of its decision to place the area under *force majeure* effective from the end of SP 1 on December 27, 2015. In view of this, all exploration activities in the block have been suspended until such time that the DOE informs the consortium of the lifting of the *force majeure*. All activities in SC 75, except for administration, remained suspended throughout 2019.

On October 30, 2019, PXP submitted to the DOE the proposed WP&B for 2020 consisting mainly of license administration costs and a contingent 3D seismic survey of at least 1,000 square kilometers that will be conducted once the *force majeure* is lifted.

Similar with SC 72, a letter from the DOE dated October 14, 2020 which was received on October 16, 2020 stated that the *force majeure* over SC 72 has been lifted effective immediately and that exploration activities were to resume over the block.

On December 28, 2020, the WP&B for 2021 was submitted to the DOE with the acquisition of a minimum of 1,000 square kilometers of 3D seismic data as a firm commitment, subject only to occurrence of *force majeure* that could delay, curtail, or prevent the peaceful undertaking and completion of the work program. The activity could also be affected by the Covid-19 pandemic that may cause delays in securing permits as well as restrict the movement of personnel and equipment.

In July 2021, PXP sent out invitations to seismic acquisition companies to submit proposals for a 1,100 sq. km 3D survey to be conducted in early April 2022. The seismic survey is estimated to take 30 days to complete, including vessel mobilization and demobilization periods.

In September 2021, Shearwater Geoservices (Shearwater) conducted a Survey Evaluation and Design (SED) Study which aimed at finalizing the acquisition parameters to be used in the survey. The SED was completed in November 2021 and the results were incorporated in the seismic data acquisition contract.

As at December 31, 2021 preparations for the seismic survey are progressing accordingly. The WP&B and APP for 2022 were submitted to the DOE on December 31, 2021.

12. Other Noncurrent Assets

	2021	2020
Decommissioning fund	**₱4,475**	₱3,348
Guaranteed deposits	**301**	283
	₱4,776	₱3,631

Funding for the plug and abandonment costs of the Galoc field commenced in 2016. FEL's contribution to the decommissioning fund amounted to ₱920, ₱432 and ₱1,021 in 2021, 2020 and 2019, respectively.

Guaranteed deposits are related to certain exploration contracts of the Group, which were made to ensure satisfactory completion of projects and work commitments.

13. Trade and Other Payables

	2021	2020
Trade	**₱11,159**	₱1,885
Accrued expenses	**30,104**	20,837
Withholding taxes	**286**	417
Other nontrade liabilities	**4,241**	1,148
	₱45,790	₱24,287

The Group's trade payables are non-interest bearing and are generally settled within 30 to 60 days.

Accrued expenses primarily include the accruals for light and water, payroll and other employee benefits, security and professional consultancy fees.

Other nontrade liabilities include payroll-related liabilities such as payable to Social Security System, Philhealth and Home Development Mutual Fund.

The Group has no related party balances included in the trade and other payables account as at December 31, 2021 and 2020.

14. Costs and Expenses

	2021	2020	2019
Petroleum production costs:			
Production costs (Note 7)	**₱40,586**	₱30,583	₱50,982
Depletion (Notes 7 and 9)	–	3,551	34,535
	₱40,586	₱34,134	₱85,517
General and administrative expenses:			
Professional fees	**₱25,662**	₱23,245	₱26,488
Personnel costs	**16,854**	17,681	14,111
Rental	**5,100**	5,100	5,100
Insurance	**4,017**	3,243	3,329
Taxes and licenses	**2,021**	2,712	2,176
Directors' fees	**1,770**	1,180	1,120

(Forward)

	2021	2020	2019
Office supplies	**₱1,172**	₱2,387	₱1,111
Depreciation (Notes 9 and 10)	**1,009**	1,010	1,005
Stock transfer expenses	**601**	791	1,065
Donations	**962**	257	2,260
Repairs and maintenance	**178**	157	169
Travel and transportation	**164**	1,066	1,112
Communications, light and water	**142**	58	98
Others	**2,430**	5,642	45,935
	₱62,082	₱64,529	₱105,079

The production and depletion cost of the Group is primarily attributable to SC14 C-1 Galoc producing oil field of FEL. Others include plug and abandonment cost (see Note 9).

15. SPA in respect of SC 14 Block C-2 West Linapacan

On January 7, 2020, FEL and other parties to the service contract entered into a SPA with a third party for the sale and assignment of the 9.10% interest of the Group in SC 14 Block. As a result, the carrying value of the service contract has been reclassified as assets held for sale. The process of finalizing the documents, including the DOA arising out of the SPA and FOA, was severely delayed by the COVID-19 situation. The interested party was previously given until March 31, 2021 to finalize the agreements but it has requested an extension until June 30, 2021.In 2021, the interested party eventually decided not to pursue its farm-in plans for the block. As a result of the interested party's exit, Philodrill re-assumed the block's operatorship and FEL's participating interest in the block returned to its pre farm-in interest of 9.10%. As at December 31, 2021 and 2020, the carrying value of assets related to this service contract amounted to nil.

16. Equity

Capital Stock

On September 12, 2011, the 1,700,000,000 common shares of the Parent Company were listed and traded on the PSE at an initial offer price of ₱1.20 per share. After the initial listing, there were no subsequent listings of shares made by the Parent Company.

Details of the Parent Company's capital stock follow:

	Number of Shares	
	2021	2020
Common stock - ₱1 par value		
Authorized	**6,800,000,000**	6,800,000,000
Issued and fully paid	**1,960,000,000**	1,700,000,000
Subscribed capital stock	**–**	260,000,000
Capital stock	**1,960,000,000**	1,960,000,000

On October 26, 2018, PXP, PMC, and DHC signed a subscription agreement wherein PMC and DHC subscribed to 260,000,000 and 340,000,000 common shares of PXP, respectively, for a total consideration of ₱3,081,000 and ₱4,029,000, respectively. Each share is valued at ₱11.85, which represents a 20% discount to the 90-day volume weighted average price (VWAP) of PXP shares. The agreement was approved by the Group or PXP's BOD on October 25, 2018. The subscription is payable in two tranches.

On December 26, 2018, PXP and DHC agreed to reschedule and accelerate the full payment of its subscription agreement to not later than March 31, 2019. DHC shall also pay a downpayment equivalent to 1% of the total subscription on or before January 7, 2019.

On December 27, 2018, PMC paid the 25% downpayment of ₱770,250. As a result of the transaction, PMC's total ownership interest in PXP increased from 19.76% to 30.40% as at December 31, 2018.

On January 7, 2019, DHC paid an initial downpayment of ₱40,290, with the remaining balance due on March 31, 2019. On March 31, 2019, PXP and DHC mutually agreed to terminate the subscription agreement. All rights of DHC to subscribe to the aforesaid common shares of PXP, and any obligation of PXP to issue such shares to DHC, are terminated without any residual rights of any kind remaining with DHC. Accordingly, PXP recognized the forfeited down payment amounting to ₱40,290 as other income (see Note 1).

PMC paid subscription payable to PXP amounting to ₱121,114, ₱63,186 and ₱2,126,450 in 2021, 2020 and 2019, respectively.

The related subscription receivable arising from the equity transactions and its related movements in 2021 and 2020 are as follows:

	2021	2020
Balance at January 1	**₱121,114**	₱184,300
Collection of subscription receivable	**(121,114)**	(63,186)
Balance at December 31	**₱–**	₱121,114

As at December 31, 2021 and 2020, PXP's number of stockholders totaled to 38,599 and 38,677, respectively.

Equity Reserves

In May 2012, certain directors and employees of FEL exercised their option over 2,185,000 common shares. This resulted in the Group's effective economic interest in FEL decreasing from 51.95% to 48.76% as at December 31, 2012. 'Effect of transactions with non-controlling interests' amounting to ₱40,711 and increase in non-controlling interests amounting to ₱85,333 were recognized as a result of the dilution of interest in FEL.

In July 2014, Pitkin tendered an offer to buy back 11,972,500 of its outstanding shares for a consideration of US$1.00 per share. The Parent Company surrendered 2,000,000 of its shares wherein non-controlling interests surrendered 9,099,000 shares. As a result of the share buyback transaction, the Parent Company's ownership interest increased from 50.28% to 53.07%. The total consideration paid by Pitkin to shareholders amounted to ₱482,363, wherein ₱395,733 is attributable to non-controlling interest. An increase in equity of the Parent Company amounting to ₱46,382 resulted from the transaction, while the rest of the movement was due to share option cancellation during the period.

In May 2015, Pitkin tendered another offer to buy back its outstanding shares for a consideration of US$0.75 per share. The Parent Company and the non-controlling interests surrendered 21,373,000 shares and 19,499,500 shares, respectively. As a result, the PXP's interest in Pitkin has increased from 53.07% to 53.43%. The total consideration paid by Pitkin to shareholders amounted to ₱1,365,404, wherein ₱651,436 is attributable to non-controlling interests. An increase in equity of Parent amounting to ₱102,949 resulted from the transaction.

In June and November 2015, PXP bought additional investment from NCI owners of FEL, including FEC. In total, the NCI owners sold 4,383,777 for a total consideration of ₱63,706. The transactions resulted to increased ownership of PXP over FEL from 36.44% to 48.77%. A decrease in equity of the Parent Company amounting to ₱31,747 resulted from the transaction.

In January 2016, FEC cancelled its 30,000,000 shares previously held under escrow for ₱1,694. As a result, PXP's ownership interest increased from 51.24% to 54.99%. An increase in equity of the Parent Company amounting to ₱8,670 resulted from the transaction.

On February 17, 2017, Pitkin tendered its offer to buy back 11,430,500 outstanding shares for a consideration of US$0.35 per share. The Parent Company surrendered 6,107,000 shares for a consideration of ₱107,717, while the NCI owners surrendered its proportionate stake of 5,323,500 shares for a total payment of ₱92,788. The transaction did not change the ownership percentages for both PXP and NCI owners.

On March 23, 2017, PXP entered into an agreement with FEL and FGL to capitalize a part of the maturing long-term loan of FGL from PXP amounting to US$11,805 into 39,350,920 new common shares of FEL. In addition to conversion of FEL shares, Tidemark subscribed to additional 6,600,000 shares in FEL for ₱100,650.

On May 17, 2017, PXP bought additional investment from the NCI owners of FEL, wherein Asia Link B. V. sold 1,185,000 shares valued at US$0.30 per share, for a total consideration of ₱17,705. Furthermore, on November 23, 2017, PXP purchased additional 1,000,000 shares held by FEC in FEL for a total consideration of ₱15,219. The loan to equity conversion and subsequent purchases of shares were all priced at US$0.30 per share. As a result of the transactions, the Parent Company's economic interest in FEL increased from 58.90% to 75.92%.

In December 2019, PXP bought additional investment from the NCI owners of FEL, wherein PXP purchased 50,000 shares in FEL for a total consideration of ₱786. As a result of the transaction, the Parent Company's total interest in FEL increased to 75.98%.

On April 16, 2020, PXP increased its direct shareholding in FEL from 72.24% to 72.33%. This increased PXP's total interest in FEL from 75.98% to 76.07%. The additional interest was acquired through a subscription to 6,099,626 new ordinary shares of FEL. The new shares were issued at approximately US$0.30 per share for a total consideration of ₱92,958. Further, major shareholders, Tidemark and FEC subscribed to 1,666,666 shares and 567,038 shares of FEL, amounting to ₱25,400 and ₱8,642, respectively, both paid for in cash.

On August 5, 2020, PXP increased its direct shareholding in FEC from 54.99% to 78.39%. This increases PXP's total economic interest in FEL from 76.07% to 77.66%. The additional interest was acquired through a subscription to 449,999,986 new ordinary shares of FEC through a stock rights offering. The new shares were issued at approximately US$0.00225 per share for a total consideration of ₱49,688. The acquisition of additional shares in FEC did not result in a change in the board of FEC or FEL.

On October 2, 2020, Pitkin bought back 8.5 million of its total issued shares at a price of US$0.10 per share for a total consideration of ₱41,208. PXP sold 4,541,464 of Pitkin shares for a total consideration of ₱22,017 while the minority shareholders sold their pro-rata share of 3,958,536 shares for a total consideration of ₱19,191. The transaction did not affect PXP's 53.43% stake in Pitkin.

Non-controlling Interest

Non-controlling interests consist of the following:

	Percentage of Ownership				
	2021	2020	Country of Incorporation and Operation	**2021**	2020
Non-controlling interests in the net assets of:					
Pitkin and its subsidiaries	**46.57%**	46.57%	UK/Philippines	**₱558,283**	₱1,949,006
FEC	**21.61%**	21.61%	Canada	**50,461**	54,290
FEL and its subsidiaries	**22.34%**	22.34%	UK/Philippines	**322,949**	312,917
				₱931,693	₱2,316,213

Financial information of subsidiaries that have material non-controlling interests are provided below:

Loss allocated to material non-controlling interest:

	2021	2020
FEL and its subsidiaries	**(₱24,188)**	(₱10,668)
FEC	**(1,665)**	(2,344)
Pitkin and its subsidiaries	**(1,403,125)**	(3,398)

Other comprehensive income (loss) allocated to material non-controlling interest:

	2021	2020
FEL and its subsidiaries	**₱34,220**	₱4,789
FEC	**(2,164)**	2,488
Pitkin and its subsidiaries	**12,402**	(23,204)

The summarized financial information of these subsidiaries before intercompany eliminations and purchase price allocations arising from the Parent Company's cost of acquisition of these subsidiaries is provided below:

Statements of comprehensive income as of December 31, 2021:

	Pitkin and its subsidiaries	**FEC**	**FEL and its subsidiaries**
Revenue	**₱–**	**₱–**	**₱64,198**
Cost of sales	–	–	**(40,586)**
General and administrative expenses	**(9,778)**	**(8,135)**	**(12,887)**
Other income (charges)	**426,590**	**428**	**(112,784)**
Interest expense	**–**	**–**	**(9,259)**
Income (loss) before tax	**416,812**	**(7,707)**	**(111,318)**
Provision for income tax	**8,313**	**–**	**18,459**
Net income (loss)	**408,499**	**(7,707)**	**(129,777)**
OCI	**26,631**	**(10,015)**	**110,597**
Total comprehensive income (loss)	**₱435,130**	**(₱17,722)**	**(₱19,180)**
Attributable to non-controlling interests	**₱202,640**	**(₱3,829)**	**₱10,032**

Statements of comprehensive income as of December 31, 2020:

	Pitkin and its subsidiaries	FEC	FEL and its subsidiaries
Revenue	₱–	₱–	₱30,250
Cost of sales	–	–	(34,134)
General and administrative expenses	(7,520)	(11,130)	(15,804)
Other income	223	284	(16,084)
Interest expense	–	–	(11,775)
Loss before tax	(7,297)	(10,846)	(47,547)
Benefit from income tax	–	–	206
Net loss	(7,297)	(10,846)	(47,753)
OCI	(49,826)	11,513	21,439
Total comprehensive income (loss)	(₱6,423)	₱667	(₱26,314)
Attributable to non-controlling interests	(₱26,601)	₱144	(₱5,879)

Statements of comprehensive income as of December 31, 2019:

	Pitkin and its subsidiaries	FEC	FEL and its subsidiaries
Revenue	₱–	₱–	₱72,499
Cost of sales	–	–	(85,517)
General and administrative expenses	(8,188)	(11,061)	(49,765)
Other income	65	97	(104,162)
Interest expense	–	–	(16,600)
Loss before tax	(8,123)	(10,964)	(183,545)
Provision for income tax	–	–	792
Net income (loss)	(8,123)	(10,964)	(184,337)
OCI	(9,638)	523	(67,456)
Total comprehensive loss	(₱17,761)	(₱10,441)	(₱251,793)
Attributable to non-controlling interests	(₱8,271)	(₱4,699)	(₱60,632)

Statements of financial position as at December 31, 2021:

	Pitkin and its subsidiaries	**FEC**	**FEL and its subsidiaries**
Current assets	**₱481,488**	**₱17,674**	**₱44,097**
Noncurrent assets	**165,422**	**96,490**	**1,948,857**
Current liabilities	**(11,322)**	**(12,827)**	**(16,868)**
Noncurrent liabilities	**–**	**–**	**(827,666)**
Total equity	**635,588**	**101,337**	**1,148,420**
Attributable to:			
Equity holders of the Parent Company	**₱339,595**	**₱79,438**	**₱891,863**
Non-controlling interests	**295,993**	**21,899**	**256,557**

Statements of financial position as at December 31, 2020:

	Pitkin and its subsidiaries	FEC	FEL and its subsidiaries
Current assets	₱47,261	₱26,133	₱57,508
Noncurrent assets	155,769	96,490	1,614,792
Current liabilities	(2,573)	(3,564)	(92,874)
Noncurrent liabilities	–	–	(411,826)
Total equity	200,457	119,059	1,167,600
Attributable to:			
Equity holders of the Parent Company	₱107,105	₱93,330	₱906,758
Non-controlling interests	93,353	25,729	260,842

Statements of cash flows as at December 31, 2021:

Activities	**Pitkin and its subsidiaries**	**FEC**	**FEL and its subsidiaries**
Operating	**(₱11,746)**	**₱7,999**	**(₱50,960)**
Investing	**442,188**	**(10,889)**	**(233,996)**
Financing	**–**	**–**	**273,352**
Net decrease in cash and cash equivalents	**₱430,442**	**(₱2,890)**	**(₱11,604)**

Statements of cash flows as at December 31, 2020:

Activities	Pitkin and its subsidiaries	FEC	FEL and its subsidiaries
Operating	(₱9,123)	₱1,305	(₱72,091)
Investing	(8,826)	8,934	(11,987)
Financing	(25,723)	(22,606)	90,622
Net decrease in cash and cash equivalents	(₱43,672)	(₱12,367)	₱6,544

17. Income Taxes

In 2021, current provision for income tax amounting to ₱8,590 pertains to PXP and FEL's MCIT and Pitkin's RCIT. In 2020, current provision for income tax amounting to ₱582 pertains to PXP and FEL's MCIT.

The components of the Group's deferred tax assets (liabilities) as at December 31, 2021 and 2020 are as follows:

	2021	2020
Deferred tax assets		
Allowance for impairment loss on deferred exploration costs	**₱13,586**	₱16,303
MCIT	**1,656**	1,868
Allowance for impairment loss on receivables	**168**	201
Unrealized foreign exchange loss	–	25,123
	15,410	43,495

(Forward)

	2021	2020
Deferred tax liabilities		
Unrealized gain on dilution of interest	**(₱105,512)**	(₱126,615)
Unrealized foreign exchange gain	**(3,978)**	(6,302)
Fair value adjustment as a result of business combination (Note 4)	–	(979,990)
	(109,490)	(1,112,907)
Deferred tax liabilities - net	**(₱94,080)**	(₱1,069,412)

A reconciliation of the Group's benefit from income tax computed at the statutory income tax rate based on loss before income tax to the benefit from income tax follows:

	2021	2020	2019
Benefit from tax computed at the statutory tax rate	**(₱1,027,436)**	(₱25,519)	(₱89,513)
Additions to (reductions in) income tax resulting from:			
Nondeductible provision for impairment of assets and write-off of goodwill	**1,100,357**	1,869	59,626
Reversal of fair value adjustment as a result of business combination	**(816,658)**	–	–
Effect of changes in tax rate due to CREATE	**(178,547)**	–	–
Permanent difference due to foreign exchange translation	**(68,261)**	5,494	(29,656)
Movement in unrecognized deferred tax assets	**28,328**	8,408	55,543
Nontaxable petroleum revenue	**(12,252)**	(8,641)	(21,088)
Nondeductible petroleum production costs and depletion	**8,117**	9,806	24,702
Interest income subjected to final tax	**(116)**	(209)	(770)
Benefit from income tax	**(₱966,468)**	(₱8,792)	(₱1,156)

The Company's NOLCO incurred before taxable year 2020 can be claimed as deductions from the regular taxable income for the next three (3) consecutive taxable years from the year incurred. On September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) 25-2020 implementing Section 4 (bbbb) of "Bayanihan to Recover as One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As at December 31, 2021, the Group's NOLCO that can be claimed as deduction from future taxable income and excess MCIT that can be deducted against income tax due are as follows:

	Year of Expiration			
Year Incurred	NOLCO	Excess MCIT	NOLCO	Excess MCIT
2019	2022	2022	174,336	782
2020	2025	2023	36,698	582
2021	2026	2024	14,538	292
			₱225,572	₱1,656

The following are the movements of the Group's NOLCO and excess MCIT as at December 31, 2021 and 2020:

	NOLCO		Excess MCIT	
	2021	2020	**2021**	2020
Beginning balance	**₱234,305**	₱200,306	**₱1,868**	₱2,058
Additions	**14,538**	36,698	**292**	582
Expirations	**(23,271)**	(2,699)	**(504)**	(772)
Ending balance	**₱225,572**	₱234,305	**₱1,656**	₱1,868

The Group did not recognize deferred tax assets on the following NOLCO and deductible temporary differences as at December 31, 2021 and 2020:

	2021	2020
NOLCO	**₱225,572**	₱234,305
Excess of depreciation expense and interest expense over lease payments	**1,037**	765

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

The CREATE Act was signed into law on March 26, 2021 to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It took effect on April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Group:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

Applying the provisions of CREATE Law, the Group have been subjected to lower RCIT of 25% or the reduced MCIT of 1% of gross income effective July 1, 2020. Likewise, the impact on the December 31, 2020 consolidated financial statements had the CREATE Law been substantially enacted as of then, were adjusted in 2021, as follows:

	Increase (decrease)
Benefit from deferred tax	₱178,547
Deferred tax liabilities - net	(178,547)

18. Related Party Transactions

Related party relationships exist when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders.

In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

Companies within the Group in the regular conduct of business, enters into transactions with related parties which consists of advances, loans, reimbursement of expenses, regular banking transactions and management and administrative service agreements.

Intercompany transactions are eliminated in the consolidated financial statements.

The Group's significant related party transactions, which are under terms that are no less favorable than those arranged with third parties, are as follows:

a. On November 24, 2010, Forum Philippine Holdings Limited (FPHL) entered into a US$10,000 loan facility agreement with PMC. The facility agreement will be available for a three-year period and funds can be borrowed at an annual interest rate of US London Interbank Offered Rate (LIBOR) + 4.5% for the drawn portion and a commitment fee of 1% for the undrawn portion. The facility agreement will enable FPHL to fund its 70% share of a first SP work program over SC 72. Obligations arising from funds drawn under this facility agreement are not convertible into FEL's or FPHL's common shares.

   In June 2012, an amendment to the original loan agreement has been made to extend the loan facility to US$15,000.

   On November 21, 2013, PMC assigned its rights and obligations under the facility agreement to the Parent Company. On the same date, the loan facility was increased to US$18,000 and has been extended for an additional three years. The loans receivable from FPHL and loan payable to PMC recorded in the Parent Company amounted to ₱674,804 in 2013.

   In 2015, a transfer agreement has been entered into by FPHL (the "Original Borrower") and FGL (the "New Borrower"). This states that all the rights and obligations under the Finance Documents of the Original Borrower will be transferred by way of novation to the New Borrower and the Original Borrower will be released from its obligations and will cease to own any rights under the Facility Agreement.

   On March 23, 2017, PXP, FEL and FGL agreed to the conversion of US$11,805 loan to equity, by subscribing to 39,350,920 new common shares of FEL. The loan payable consisted of total drawdowns from the loan facility of US$15,500 and interest accrued of US$2,828. Of the remaining balance, US$1,000 was paid through cash received from subscription of Tidemark to 6,666,667 new common shares of FEL.

   On the same date, PXP and FGL entered into a new loan facility amounting to US$6,000 of which US$5,522 was drawn out to fully settle the remaining portion of the long-term loan.

   Interest expense incurred for the old loan facility amounted to ₱11,692 in 2017. During the same year, commitment fees incurred amounted to ₱281.

   On April 16, 2020, FGL made a partial repayment of the maturing loan principal amounting to US$431 together with the full payment of accrued interest from March 16, 2017 to April 15, 2020 amounting to US$958. In addition, a further extension of the then reduced outstanding loan principal of US$5,091, was made from April 16, 2020 to December 31, 2021 and quarterly payments of accrued interest is to be made from April 16, 2020 onwards.

On August 7, 2020, FEC has agreed to purchase 6.8% of the loan due by FGL to PXP amounting to US$346 plus accrued interest. This loan is unsecured, due on December 31, 2021 and bears interest at an annual rate of 3.5% plus LIBOR which is payable on a quarterly basis.

On October 28, 2021, the BOD approved to repurchase from FEC the 6.8% of the loan currently due by FGL to PXP amounting to US$346 plus accrued interest, with all other terms of the loan remaining unchanged.

Interest expense incurred for 2021, 2020 and 2019 amounted to ₱9,259, ₱11,056 and ₱16,018, respectively. The new loan facility does not include an agreement for commitment fee.

The interest expense and commitment fees were recorded under 'Interest expense and other charges' in the consolidated statements of income while these were eliminated upon consolidation for the year ended December 31, 2021, 2020 and 2019.

Loans receivable of PXP from FGL as at December 31, 2021 amounted to ₱259,646. Loans receivable of PXP and FEC from FGL as at December 31, 2020 amounted to ₱234,345. These were eliminated upon consolidation.

On February 23, 2022, the BOD approved the extension of maturity date of the loan from December 31, 2021 to March 31, 2022. All other terms of the loan remain unchanged.

b. On November 3, 2021, the BOD of FEL approved the request for funding contribution amounting to $3,300 from its major shareholders, pro-rata to their shareholdings in FEL. The fund was partially used for the pre-drilling activities of SC 72 Recto Bank, with the remaining amount to be used to deliver FEL's two commitment wells in the first half of 2022.

   PXP and FEC share's in the funding contribution in 2021 amounted to $2,417 and $224, respectively, which were eliminated upon consolidation.

c. PMC made cash advances to be used as additional working capital of the Parent Company and acquisition of investments.

   On August 11, 2015, the BOD has agreed that a pledge agreement with PMC (pledgee) be entered into by PXP (pledgor). In order to secure the balance of ₱2,200,000 as of pledge date, the Parent Company has pledged its shares in its subsidiaries, Pitkin and Forum to PMC. The contract was formally executed on August 17, 2015.

   In 2018, the Group paid PMC amounting to ₱781,334, while in 2019, PXP fully paid the cash advances from PMC. As a result, the related pledge was extinguished.

   As at December 31, 2021 and 2020, advances from PMC amounted to nil.

d. BEMC has significant transactions with related parties involving advances to provide funding for BEMC's exploration and development activities.

   On August 5, 2019, a deed of assignment was entered by BEMC and PXP transferring BEMC's advances from PMC to PXP amounting to ₱737,815. On December 19, 2019, PXP paid the advances from PMC amounting ₱737,815.

   In 2021, BEMC partially paid advances from PXP amounting to ₱1,500. As at December 31, 2021 and 2020, advances from PXP amounted to ₱736,315 and ₱737,815, respectively.

e. The compensation of key management personnel pertaining to short-term and other long-term employee benefits follows:

	2021	2020	2019
Short-term employee benefits	**₱8,436**	₱8,436	₱8,436
Other long-term employee benefits	**3,024**	2,376	2,808
	₱11,460	₱10,812	₱11,244

f. Material related party transactions (RPT) refer to any related party transaction/s, either individually, or in aggregate over a 12-month period with the same related party, amounting to 10% or higher of the Group's total consolidated assets based on its latest audited financial statements.

All individual material RPT shall be endorsed by the Corporate Governance and Related Party Transactions committee for approval by at least two-thirds vote of the BOD, with all independent directors voting to approve the material RPT. The material RPT may be further submitted to the stockholders and final approval when the BOD deems it necessary.

Aggregate RPT transactions within a 12-month period that meets or breaches the materiality threshold shall require endorsement by the same committee for approval of the BOD.

19. Financial Instruments

PFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

The carrying values of the Group's assets and liabilities approximate their fair values as at December 31, 2021 and 2020.

Cash and cash equivalents, trade receivables, trade and other payables (except government payables), advances from related parties and other noncurrent liabilities
The carrying amounts of these financial instruments reasonably approximate their fair values because these are mostly short-term in nature.

Guaranteed deposits and other noncurrent liabilities
The carrying amounts of these financial instruments reasonably approximate their fair values since the difference between the present value of all future cash receipts/payments discounted at the prevailing market interest rates and the carrying amount is not material.

There were no transfers between Level 1 and 2 fair value measurements and no transfers into and out of Level 3 fair value measurement as at December 31, 2021 and 2020.

20. Financial Risk Management Objectives and Policies

The Group's financial instruments consist of cash and cash equivalents, trade and other receivables, trade and other payables, and advances from related parties. The main purpose of these financial instruments is to provide financing for the Group's operations.

Risk Management Structure
The BOD is mainly responsible for the overall risk management and approval of the risk strategies and principles of the Group.

Financial Risks
The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk. The market risk exposure of the Group can further be classified to foreign currency risk. The BOD reviews and approves policies for managing these risks.

Credit risk
Credit risk is such risk where the Group could incur a loss if its counterparties fail to discharge their contractual obligations. The Group manages credit risk by doing business mostly with affiliates and recognized creditworthy third parties.

With respect to credit risk arising from the financial assets of the Group, which comprise of cash in banks and cash equivalents, receivables, and deposit, the Group's exposure to credit risk could arise from the default of the counterparty, having a maximum exposure equal to the carrying amount of the instrument.

The table below summarizes the Group's maximum exposure to credit risk for the Group's financial assets:

	2021	2020
Cash in banks and short-term investments	**₱529,470**	₱143,005
Trade receivables	**28,875**	27,132
Guaranteed deposits	**301**	283
	₱558,646	₱170,420

The following tables show the credit quality of the Group's financial assets by class as at December 31, 2021 and 2020 based on the Group's credit evaluation process.

As at December 31, 2021:

	Neither Past Due nor Impaired		**Past Due and Individually**	
	High-Grade	**Standard**	**Impaired**	**Total**
Cash in banks	**₱267,957**	**₱–**	**₱–**	**₱267,957**
Short-term investments	**261,513**	**–**	**–**	**261,513**
Trade receivables	**28,875**	**–**	**711**	**29,586**
Guaranteed deposits	**301**	**–**	**–**	**301**
Total	**₱558,646**	**₱–**	**₱711**	**₱559,357**

As at December 31, 2020:

	Neither Past Due nor Impaired		Past Due and Individually	
	High-Grade	Standard	Impaired	Total
Cash in banks	₱140,310	₱–	₱–	₱140,310
Short-term investments	2,695	–	–	2,695
Trade receivables	27,132	–	671	27,803
Guaranteed deposits	283	–	–	283
Total	₱170,420	₱–	₱671	₱171,091

Credit quality of cash and cash equivalents is based on the nature of the counterparty and the Group's evaluation process. High-grade credit quality financial assets pertain to financial assets with insignificant risk of default based on historical experience.

Liquidity risk

Liquidity risk is such risk where the Group is unable to meet its payment obligations when they fall due under normal and stress circumstances. The Group's objective is to maintain a balance between continuity of funding and flexibility, and addresses its liquidity concerns through advances from PMC.

The following tables summarize the maturity profile of the Group's financial assets that can be used by the Group to manage its liquidity risk and the maturity profile of the Group's financial liabilities, based on contractual undiscounted repayment obligations (including interest) as at December 31, 2021 and 2020, respectively:

As at December 31, 2021:

	On Demand	**Less than 3 Months**	**3 to 12 Months**	**Over 12 Months**	**Total**
Cash on hand	**₱2**	**₱–**	**₱–**	**₱–**	**₱2**
Cash in banks	**267,957**	**–**	**–**	**–**	**267,957**
Short-term investments	**–**	**261,513**	**–**	**–**	**261,513**
Trade and other receivables	**–**	**28,875**	**–**	**711**	**29,586**
Guaranteed deposits	–	**301**	–	–	**301**
Total undiscounted financial assets	**₱267,959**	**₱290,689**	**₱–**	**₱711**	**₱559,359**

	On Demand	**Less than 3 Months**	**3 to 12 Months**	**Over 12 Months**	**Total**
Trade and other payables:					
Trade	**₱–**	**₱11,159**	**₱–**	**₱–**	**₱11,159**
Accrued expenses	**–**	**30,104**	**–**	**–**	**30,104**
Lease liability	**–**	**–**	**609**	**6,553**	**7,162**
Other noncurrent liabilities	–	–	–	**191,822**	**191,822**
Total undiscounted financial liabilities	**₱–**	**₱41,263**	**₱609**	**₱198,375**	**₱240,247**

As at December 31, 2020:

	On Demand	Less than 3 Months	3 to 12 Months	Over 12 Months	Total
Cash on hand	₱3	₱–	₱–	₱–	₱3
Cash in banks	140,310	–	–	–	140,310
Short-term investments	–	2,695	–	–	2,695
Trade and other receivables	4,304	14,000	8,828	–	27,132
Others	–	283	–	–	283
Total undiscounted financial assets	₱144,617	₱16,978	₱8,828	₱–	₱170,423

	On Demand	Less than 3 Months	3 to 12 Months	Over 12 Months	Total
Trade and other payables:					
Trade	₱–	₱1,885	₱–	₱–	₱1,885
Accrued expenses	–	20,837	–	–	20,837
Lease liability	–	–	553	7,162	7,715
Other noncurrent liabilities	–	–	–	182,406	182,406
Total undiscounted financial liabilities	₱–	₱22,722	₱553	₱189,568	₱212,843

Market Risk

Foreign currency risk

Foreign currency risk is the risk where the value of the Group's financial instruments diminishes due to unfavorable changes in foreign exchange rates. PXP's transactional currency exposures arise from cash in banks. The corresponding net foreign exchange gains (losses) amounting to ₱775, (₱408) and (₱2,968) arising from the translation of these foreign currency denominated financial instruments were recognized by PXP in the years ended December 31, 2021, 2020 and 2019, respectively. The exchange rates of the Peso to US dollar were ₱50.99, ₱48.02, and ₱50.74 to US$1 in the years ended December 31, 2021, 2020 and 2019, respectively.

The Group's foreign currency-denominated monetary assets as at December 31, 2021 and 2020 are as follow:

	2021		2020	
	US$	Peso Equivalent	US$	Peso Equivalent
Assets				
Cash in banks	**US$418**	**₱21,309**	US$1,240	₱59,537

The table below summarizes the impact on loss before income tax of reasonably possible changes in the exchange rates of US Dollar against the Peso:

US Dollar (Depreciates) Appreciates	Effect on Loss Before Income Tax
2021	
Appreciate by 4%	**(₱852)**
Depreciate by (4%)	**852**
2020	
Appreciate by 4%	(₱2,381)
Depreciate by (4%)	2,381

There is no other impact on the Group's equity other than those already affecting profit or loss.

21. Capital Management

The Group maintains a capital base to cover risks inherent in the business. The primary objective of the Group's capital management is to optimize the use and earnings potential of the Group's resources, ensuring that the Group complies with externally imposed capital requirements, if any, and considering changes in economic conditions and the risk characteristics of the Group's activities. No significant changes have been made in the objectives, policies and processes of the Group from the previous year.

The table below summarizes the total capital considered by the Group:

	2021	2020
Capital stock, issued and outstanding (Note 16)	**₱1,960,000**	₱1,700,000
Subscribed capital (Note 16)	–	260,000
Subscription receivable (Note 16)	**–**	(121,114)
Additional paid-in capital	**2,816,545**	2,816,545
Deficit	**(3,414,263)**	(1,699,966)
	₱1,362,282	₱2,955,465

22. Basic/Diluted Loss per Share

Basic loss per share is computed as follows:

	2021	2020	2019
Net loss attributable to equity holders of the Parent Company	**(₱1,714,297)**	(₱56,102)	(₱272,144)
Divided by weighted average number of common shares issued during the year	**1,960,000,000**	1,960,000,000	1,960,000,000
Basic/diluted loss per share	**(₱0.875)**	(₱0.029)	(₱0.139)

There have been no other transactions involving potential common shares between the reporting date and the date of authorization of the consolidated financial statements.

23. Segment Information

The Group currently has two reportable segments, namely oil and gas activities and coal mining activities. The coal mining operations of BEMC ended in 2014. No operating segments have been aggregated to form the two reportable operating segments.

Operating results of the Group is regularly reviewed by the Group's President, with the authority from the BOD, for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on core net income (loss). Segment performance is evaluated based on core net income or loss for the year.

The Group uses core net income (loss) in evaluating total performance. Core income is the performance of the operating segment based on a measure of recurring profit. This measurement basis is determined as profit attributable to equity holders of the Parent Company excluding the effects of non-recurring items, net of their tax effects. Non-recurring items represent gains (losses) that, through occurrence or size, are not considered usual operating items, such as foreign exchange gains (losses), gains (losses) on disposal of investments, and other non-recurring gains (losses).

Core net income (loss) is not a uniform or legally defined financial measure. Core net income (loss) is presented because the Group believes it is an important measure of its performance and liquidity. The Group relies primarily on the results in accordance with PFRSs and uses core net income (loss) only as supplementary information.

The Group's capital expenditures include acquisitions of property and equipment, and the incurrence of deferred oil and gas exploration costs. The Group has only one geographical segment as the Group operates and derives all its revenue from domestic operations. The Group's operating assets are principally located in the Philippines. Thus, geographical business operation is not required.

Revenues from oil and gas operations of the Group are as follows:

	2021	2020	2019
SC 14 Block C (Galoc)	**₱64,198**	₱30,250	₱69,057
SC 14 Block A (Nido)	**–**	–	3,095
SC 14 Block B (Matinloc)	**–**	–	347
	₱64,198	₱30,250	₱72,499

Annual revenues from the major customers of the Group are as follows:

	2021	2020	2019
Trafigura Pte. Ltd.	**₱64,198**	₱30,250	₱43,378
Hyundai Oilbank Company Ltd	–	–	25,679
Pilipinas Shell Petroleum Corporation	–	–	3,442
	₱64,198	₱30,250	₱72,499

Crude oil liftings from the Galoc field were sold to customers from nearby Asian countries while all crude oil liftings from the Nido, Matinloc, and North Matinloc oil fields were sold to a customer in the Philippines.

Revenues from oil and gas operations of the Group based on geographic location of customers are as follows:

	2021	2020	2019
Singapore	**₱64,198**	₱30,250	₱43,378
South Korea	–	–	25,679
Philippines	–	–	3,442
	₱64,198	₱30,250	₱72,499

The following tables present revenue and profit, including the computation of EBITDA as derived from the consolidated net income, and certain asset and liability information regarding the Group's operating segments.

As at December 31, 2021:

	Oil and Gas	Coal	Eliminations	Total
Consolidated revenue				
External customers	**₱64,198**	**₱–**	**₱–**	**₱64,198**
Results				
EBITDA	**(₱4,082,691)**	**(₱36)**	**(₱25,616)**	**(4,108,343)**
Income tax benefit	**966,468**	–	–	**966,468**
Depreciation and depletion	**(1,009)**	–	–	**(1,009)**
Interest expense and other charges - net	**(9,763)**	**–**	**9,259**	**(504)**
Interest income	**9,565**	**–**	**(9,452)**	**113**
Consolidated net loss	**(₱3,117,430)**	**(₱36)**	**(₱25,809)**	**(₱3,143,275)**
Core net loss	**(₱40,400)**	**(₱36)**	**₱7,979**	**(₱32,457)**
Consolidated total assets	**₱6,655,486**	**₱554**	**(₱3,561,823)**	**₱3,094,217**
Consolidated total liabilities	**₱978,276**	**₱736,335**	**(₱1,236,981)**	**₱477,630**
Other segment information				
Capital expenditures	**₱202,291**	**₱–**	**₱–**	**₱202,291**
Non-cash expenses other than depletion and depreciation	**4,524,388**	**–**	**–**	**4,524,388**

As at December 31, 2020:

	Oil and Gas	Coal	Eliminations	Total
Consolidated revenue				
External customers	₱30,250	₱–	₱–	₱30,250
Results				
EBITDA	(₱253,504)	(₱38)	₱173,481	(₱80,061)
Depreciation and depletion	8,792	–	–	8,792
Interest income	(4,561)	–	–	(4,561)
Income tax benefit	(12,191)	–	11,056	(1,135)
Interest expense and other charges - net	11,958	–	(11,263)	695
Consolidated net loss	(₱249,506)	(₱38)	₱173,274	(₱76,270)
Core net loss	(₱98,432)	(₱38)	₱52,602	(₱45,868)
Consolidated total assets	₱5,754,705	₱2,090	₱998,792	₱6,755,587
Consolidated total liabilities	₱629,826	₱737,836	(₱81,026)	₱1,286,636
Other segment information				
Capital expenditures	₱55,728	₱–	₱–	₱55,728
Non-cash expenses other than depletion and depreciation	16,209	–	–	16,209

As at December 31, 2019:

	Oil and Gas	Coal	Eliminations	Total
Consolidated revenue				
External customers	₱72,499	₱–	₱–	₱72,499
Results				
EBITDA	(₱164,655)	(₱41)	(₱99,703)	(₱264,399)
Depreciation and depletion	(34,507)	–	(1,033)	(35,540)
Interest income	18,916	–	(16,350)	2,566
Income tax expense	1,156	–	–	1,156
Interest expense and other charges - net	(17,021)	–	16,018	(1,003)
Consolidated net loss	(₱196,111)	(₱41)	(₱101,068)	(₱297,220)
Core net loss	(₱60,905)	(₱41)	(₱18,849)	(₱79,795)
Consolidated total assets	₱6,692,713	₱2,128	₱170,438	₱6,865,279
Consolidated total liabilities	₱796,274	₱737,835	(₱185,391)	₱1,348,718
Other segment information				
Capital expenditures	₱83,035	₱–	₱–	₱83,035
Non-cash expenses other than depletion and depreciation	222,132	–	–	222,132

The table below shows the Group's reconciliation of core net loss to the consolidated net loss for the years ended December 31, 2021, 2020 and 2019:

	2021	2020	2019
Core net loss	**(₱32,457)**	(₱45,868)	(₱79,795)
Non-recurring gains (losses)			
Provision for impairment of assets:			
Deferred exploration costs	**(1,828,073)**	–	–
Property and equipment	**–**	(4,578)	(173,782)
Movement in deferred tax	**525,229**	–	–
Loss on write-off of:			
Other current assets	**–**	(179)	–

(Forward)

	2021	2020	2019
Goodwill	**(₱523,609)**	₱–	(₱4,196)
Other noncurrent assets	**–**	–	(324)
Gain from settlement of deed - net	**236,261**	–	–
Provision for decommissioning cost	**(95,415)**	–	–
Foreign exchange gains - net	**8,209**	(7,900)	(10,805)
Net tax effect of aforementioned adjustments	**(4,442)**	2,423	(3,242)
Net loss attributable to:			
Equity holders of the Parent Company	**(1,714,297)**	(56,102)	(272,144)
Non-controlling interests	**(1,428,978)**	(20,168)	(25,076)
	(₱3,143,275)	(₱76,270)	(₱297,220)

24. Other Noncurrent Liabilities

	2021	2020
Provision for losses	**₱191,822**	₱182,406
Provision for plug and abandonment costs (Note 9)	**132,152**	5,310
	₱323,974	₱187,716

Share Purchase Agreement (SPA) between FEL and Forum Pacific, Inc.

Under the SPA for FEI dated March 11, 2003, an amount is due to the vendor out of the Group's share of future net revenues generated from SC 40. The timing and extent of such payments is dependent upon future field production performance and cannot be accurately determined at this stage. The provision for losses for the above-mentioned transaction amounted to ₱191,822 and ₱182,406 as at December 31, 2021 and 2020, respectively.

25. Changes in Liabilities Arising from Financing Activities

	January 1,2021	**Cash flows**	**Others**	**December 31,2021**
Lease liability (Note 10)	**₱5,207**	**(₱556)**	**₱405**	**₱5,056**

	January 1, 2020	Cash flows	Others	December 31,2020
Lease liability (Note 10)	₱5,294	(₱503)	₱416	₱5,207

Others include interest expense on lease liability amounting to ₱405 and ₱416 in 2021 and 2020, respectively.

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TREASURER

Barbara Anne C. Migallos
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